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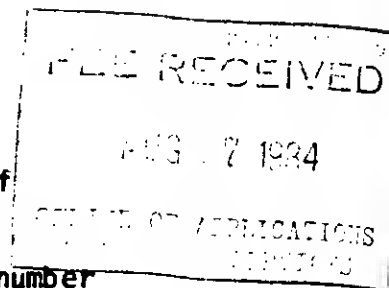
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended
May 31, 1984

Commission file number
0-9884



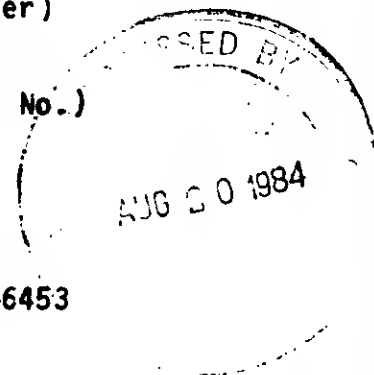
NIKE, Inc.

(Exact name of Registrant as specified in its charter)

Oregon
(State of Incorporation)

93-0584541
(IRS Employer Identification No.)

3900 S. W. Murray Boulevard
Beaverton, Oregon 97005
(Address of principal executive offices)



Registrant's telephone number, including area code: (503) 641-6453

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Class B Common Stock, No Par Value
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The aggregate market value of Registrant's Class B Common Stock held by nonaffiliates of the Registrant at August 6, 1984 was \$129,738,779.

On August 6, 1984, the number of shares of Registrant's Class A Common Stock outstanding was 17,583,921, and the number of shares of its Class B Common Stock outstanding was 19,687,553.

Parts of Registrant's 1984 Annual Report to Shareholders are incorporated by reference into Part II of this Report, and parts of Registrant's Proxy Statement dated August 14, 1984 for the annual meeting of shareholders to be held on September 24, 1984 are incorporated by reference into Part III of this Report.

THIS DOCUMENT CONTAINS 125 CONSECUTIVELY NUMBERED PAGES.
EXHIBIT INDEX APPEARS ON PAGE 33.

NIKE, Inc.
FORM 10-K
ANNUAL REPORT
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PART I

ITEM 1. BUSINESS.General

NIKE, Inc. designs, develops and markets a wide variety of athletic footwear for competitive and recreational uses. The Company's products are sold primarily under its distinctive "Swoosh" design and NIKE trademarks. The Company believes it has grown to be the largest supplier of high quality athletic shoes in the United States and the second largest in the world. The Company also markets sports apparel and accessories. The Company is an Oregon corporation organized in 1968 and is the successor to a partnership organized in 1964. As used herein, the terms "NIKE" or the "Company" refer to NIKE, Inc. and its predecessors and subsidiaries unless the context indicates otherwise.

The Company sells to approximately 12,000 retail accounts, including sporting goods stores, shoe stores, department stores, sports specialty shops and other outlets. International sales have grown rapidly in the last several years, reflecting the Company's increased efforts to penetrate major foreign markets. The Company experiences moderate fluctuations in sales volume during the year. However, the mix of product sales may vary considerably depending upon the seasonal demand for particular types of athletic footwear.

Approximately 95 percent of fiscal year 1984 footwear production for the Company was manufactured to its detailed specifications on a contract basis by 35 overseas suppliers, primarily in South Korea and Taiwan. Approximately 50% of fiscal year 1984 apparel production for the Company was manufactured to its detailed specifications on a contract basis by 20 overseas suppliers, primarily in Taiwan and Hong Kong. Company personnel residing in the Far East monitor such production. The Company also manufactures in its shoe manufacturing plant in New England, its plant in the Republic of Ireland and its plant in England. Apparel manufacturing is done in the United States by independent contractors.

The Company emphasizes technical developments and innovations in its products to aid athletic performance and to help prevent injury. The Company believes it was the first to introduce shoes with full-length cushioned midsoles (in 1965) and shoes with lightweight nylon uppers (in 1967). In 1971, NIKE developed an athletic shoe using its unique Waffle sole; and in 1979, the Company began marketing running shoes with the patented NIKE-Air midsole unit.

Products

The Company's major products consist of an extensive line of athletic shoes for men, women and children for competitive and recreational wear. The majority of NIKE's footwear products are designed as athletic shoes for specific uses. However, a large percentage of the shoes are purchased and worn for casual or leisure purposes.

The Company also offers a line of active sports apparel, including running shorts and shirts, tennis clothes, warm-up suits, training jackets and pants, athletic bags and athletic accessories. Apparel and accessories are designed to complement the Company's footwear products, feature the same trademarks and are sold through the same marketing and distribution channels.

For the periods indicated below, United States revenues account for over 80 percent of the Company's total revenues. The following table shows, for the periods indicated, the approximate breakdown of revenues in the United States by product categories, and total foreign revenues:

		Year Ended May 31,							
		<u>1981</u>		<u>1982</u>		<u>1983</u>		<u>1984</u>	
		(in thousands)							
United States Revenues									
Footwear:									
Running		\$149,300	33%	\$236,300	34%	\$267,600	31%	\$240,200	26%
Court:									
Basketball		104,500	23	144,400	21	122,400	14	125,100	14
Racquet		60,700	13	58,600	9	62,100	7	81,400	9
Field Sports		8,700	2	13,600	2	41,300	5	42,200	5
Other:									
Children's		64,300	14	106,100	15	120,800	14	97,100	10
Leisure/Other		11,400	2	21,300	3	52,300	6	53,600	6
		<u>398,900</u>	<u>87</u>	<u>580,300</u>	<u>84</u>	<u>666,500</u>	<u>77</u>	<u>639,600</u>	<u>70</u>
Apparel		<u>33,100</u>	<u>7</u>	<u>70,300</u>	<u>10</u>	<u>107,400</u>	<u>12</u>	<u>121,800</u>	<u>13</u>
Total United States		432,000	94	650,600	94	773,900	89	761,400	83
Foreign Revenues									
		<u>25,700</u>	<u>6</u>	<u>43,000</u>	<u>6</u>	<u>93,300</u>	<u>11</u>	<u>158,400</u>	<u>17</u>
Total Revenues		<u>\$457,700</u>	<u>100%</u>	<u>\$693,600</u>	<u>100%</u>	<u>\$867,200</u>	<u>100%</u>	<u>\$919,800</u>	<u>100%</u>

The Company's products are sold under its trademarks and are generally designed for the higher quality market. At May 31, 1984, the Company's product line included approximately 235 basic footwear models. During fiscal 1984, approximately 132 models each produced over \$1,000,000 in sales, compared to 120 models in 1983. The Company's line is constantly changing as new designs and products are developed.

Running, basketball, racquet and children's shoes are expected to continue to account for the majority of the Company's shoe sales in the near future. However, the Company continues to place significant emphasis on the production of a broader line of leisure shoes, the development of new applications for shoes using the patented NIKE-Air midsole unit and the marketing of sports apparel which complements the Company's principal footwear products.

Product Research and Development

The Company believes that its success will continue to depend heavily on its technical competence and innovation. Product research, development and evaluation play an important part in its business. The principal goal of these efforts is to produce improved products which will reduce or eliminate injury and aid performance. The Company has approximately 150 employees working in these areas, and many of them hold degrees in biomechanics, exercise physiology, engineering, industrial design, chemistry or other relevant fields. The Company also utilizes research committees and advisory boards, which include coaches, athletes, athletic trainers and equipment managers, podiatrists and orthopedists, that meet on a periodic basis with the Company to review designs, materials and concepts for improved athletic shoes.

NIKE's product development activities involve research and testing in biomechanics, exercise physiology and wear testing. The Company also has its own Chemistry Department which develops and tests midsole and outsole compounds, and tests adhesives and fabrics for use in its products.

Ideas and concepts developed through the Company's multidisciplined research efforts are brought to the production stage by its Product Development personnel. The Company's engineers and designers build prototype products which are produced on a limited basis to see whether they are feasible for mass production. Field testing by athletes is used to assure suitability of design and the quality and adequacy of materials before commercial production begins.

The Company uses the computer aided design/computer aided manufacturing (CAD/CAM) process to assist in the design of its athletic shoes. Computers also operate milling machines which produce molds used in making various shoe components.

In fiscal 1984, NIKE spent approximately \$7.8 million in product research, development and evaluation, compared to \$8.0 million in 1983 and \$5.7 million in 1982. All of the Company's efforts in research and development are devoted to its own products. No contract research is performed.

Domestic Sales and Marketing

About 83 percent of the Company's sales in fiscal 1984 were made in the United States to approximately 12,000 retail accounts consisting of department stores, shoe stores, sporting goods stores, specialty stores, tennis shops and other retail outlets. During fiscal 1984, no single customer accounted for more than 9.0 percent of the Company's sales, and the three largest customers accounted for approximately 17 percent of sales.

Sales are solicited in the United States by 24 independent regional sales representative firms which are compensated on a commission basis. The firms do not take title to inventory. Nearly all of the sales representative firms have added personnel to specialize in apparel. Additionally, the Company employs in-house sales personnel and in 1984 established four sales agencies. Company sales and credit personnel review all orders and new accounts, and are responsible for collecting receivables. Bad debt losses have not been material.

The Company operates under the NIKE name seven retail stores which carry a full line of its products and one retail store which carries primarily B-grade and close out products. The Company believes the stores are valuable for promotional purposes, as a training ground for employees and to keep personnel abreast of trends in the athletic footwear and apparel markets.

To aid footwear production scheduling and furnish retail outlets with inventory in time for appropriate athletic seasons, NIKE makes substantial use of its "Futures" sales program, which assists the Company in estimating its production requirements. Dealers ordering under the "Futures" program, either five or six months in advance of delivery, are guaranteed that 90 percent of their order will be shipped within 15 days of the requested delivery date at a specified price. During fiscal 1984, 60 percent of the Company's shipments were made under the "Futures" program, compared to 62 percent during 1983 and 64 percent in 1982. Retailers are aided by the "Futures" program because prices are fixed, promotional activities can be planned in advance and sufficient inventories are assured to meet seasonal peak demands. Although "Futures" orders are subject to cancellation, with certain penalties, only approximately 10 percent in dollar volume annually have been cancelled during the past few years. During 1984 the Company implemented an apparel Futures ordering program.

The Company's footwear products are distributed through three large warehouse facilities which the Company operates. The Western United States is served from Portland, Oregon, while the East Coast and part of the Midwestern market are served from Greenland, New Hampshire. In 1983, the Company opened a third distribution facility in Memphis, Tennessee to serve the Southeast and Midwest. Apparel is distributed from facilities in Beaverton, Oregon, and Memphis, Tennessee.

Foreign Markets

The Company currently sells products in approximately 50 countries in addition to the United States. Until fiscal 1981, almost all overseas sales of the Company's products were made by independent distributors and licensees. However, during the past several years, the Company has been assuming direct responsibility for sales of NIKE products to retailers in major foreign markets by opening its own branches and acquiring distributors.

In 1982, the Company established an office in Amsterdam, The Netherlands, to serve Company branches and independent distributors in European markets. During the past three years, the Company began its own distribution operations in Great Britain, Sweden, France, Germany, Austria and Norway to market NIKE products in those countries. Other European countries are served by independent distributors.

In October 1981, the Company formed a 51 percent owned subsidiary in Japan with Nissho Iwai Corporation to market NIKE products in Japan.

In April 1984, the Company commenced direct distribution in Canada through the acquisition of the Canadian distributorship.

In most countries, NIKE is represented by independent distributors, some of whom are also licensed to manufacture and sell NIKE brand products. Licensing arrangements provide for NIKE's approval of product lines and on-site quality control inspection by Company employees.

Promotion and Advertising

The Company spent 5.8 percent of its total revenues on promotion and advertising, spending more on promotional activities than on advertising. During fiscal 1984, the Company began limited advertising on national television. It does limited advertising in athletic and trade magazines and assists retailers with local product advertising. The Company supplies dealers with product brochures, posters and other promotional material.

Extensive promotional programs, tailored for each sport, are aimed at having athletes wear NIKE products. Shoes and equipment are provided to outstanding athletes and teams, athletes are hired as consultants, and product endorsements are obtained from leading professional athletes.

The Company believes that having leading athletes endorse its shoes and apparel gives NIKE brand products credibility with consumers. World-class athletes in the United States and abroad wear NIKE running, tennis, basketball, football, baseball and soccer shoes.

"Athletics West," a track and field club founded by the Company, provides coaching, training and financial support for about 80 post-graduate athletes. During 1984, the Company sponsored or assisted in nearly 1,000 road races, marathons and other sporting events for a broad base of participants in communities across the United States. NIKE takes positions in its advertising and in other forums on issues which it believes are important to athletics. The Company believes that its close involvement with athletics is of benefit to it, and management plans to continue its commitment to athletes and sports.

Manufacturing

In fiscal 1984, footwear representing approximately 95 percent of total production for the Company was manufactured on a contract basis by 35 foreign suppliers, primarily in South Korea and Taiwan. The remainder of the footwear was manufactured by three contract suppliers in the United States and in the Company's shoe manufacturing plant in New England, its plant in the Republic of Ireland and its plant in England. On July 1, 1983, the Company discontinued production at its manufacturing facility in Exeter, New Hampshire.

United States manufacturing facilities owned by the Company have a present output of approximately 100,000 pairs of shoes per month, constituting approximately 2 percent of current requirements. This production is concentrated on the Company's most expensive models. The Company also owns an outsole component manufacturing facility in Malaysia. Approximately 50% of the Company's apparel products are manufactured in the United States by independent contractors and the remaining 50% are manufactured by independent contractors in Asia, primarily in Taiwan and Hong Kong.

In fiscal 1984, South Korean and Taiwanese suppliers accounted for 63 percent and 16 percent, respectively, of total footwear production for the Company. During fiscal 1984, NIKE also obtained production from contract suppliers in Brazil, The People's Republic of China, Spain, Italy, Malaysia, the Philippines, Thailand, the United States and Yugoslavia. The largest single foreign supplier accounted for 12 percent of total 1984 production. To expand its manufacturing capacity and to increase its geographic diversity, the Company is continually seeking new manufacturing sources.

Foreign and domestic contract manufacturing is performed pursuant to detailed specifications furnished by the Company, and Company personnel monitor production to assure compliance with such specifications.

The Company's foreign operations are subject to the usual risk of doing business abroad, such as possible revaluation of currency, export duties, quotas, restrictions on the transfer of funds and, in certain parts of the world, political instability. NIKE has not, to date, been materially affected by any such risk. The Company believes that it has the ability to develop, over a period of time, adequate alternative sources of supply for the products obtained from its present foreign suppliers. However, if events prevented the Company from acquiring products from its suppliers in either South Korea or Taiwan, the Company's operations would be seriously disrupted resulting in a significant adverse financial impact on the Company.

The United States and other countries where the Company does business may, from time to time, impose new quotas, duties, tariffs or other restrictions that could adversely affect the Company and its importation of products. The Company cannot predict the likelihood of such developments occurring.

All Company products manufactured overseas are subject to U.S. customs duties. Under the fixed duty structure in effect since July 1981, duties range from approximately 20 percent to 48 percent of the cost of imported fabric footwear. Duties for imported leather footwear are either 8.5 percent or 12.5 percent, depending on whether the principal component is leather or some other material. Customs information submitted by the Company is routinely subject to review by the Customs Service. The Company does not expect to incur any material additional liability as a result of any current review by the Customs Service. Imports of leather footwear from South Korea and Taiwan prior to June of 1981 were subject to marketing agreements between those countries and the United States. Although those agreements limited the amount of leather footwear which could be exported to the United States from those countries, the impact on the Company during periods the agreements were in effect was not significant. The Company is unable to predict whether such marketing agreements will be reimposed.

The principal materials used in the Company's footwear products are canvas, rubber, nylon and leather. NIKE and its suppliers buy raw materials in bulk. Most materials are available in the countries where the manufacturing takes place. Little difficulty has been experienced in meeting necessary raw material requirements.

Since 1972, Nissho Iwai American Corporation (NIAC), a subsidiary of Nissho Iwai Corporation, a large Japanese trading company, has performed significant financing and export-import services for the Company. The Company purchases through NIAC substantially all of the athletic shoes and apparel it acquires from overseas suppliers for sale in the United States. The Company also purchases goods through NIAC for foreign sales. NIAC currently makes purchases for the account of the Company from foreign suppliers, issues letters of credit to such suppliers and finances the cost of the products, generally for 115 days from shipment. The Company's agreements with NIAC extend until September 30, 1985.

Competition

The athletic shoe industry is keenly competitive in the United States and on a worldwide basis. The industry experienced substantial growth during the past 10 years, and such growth has been accompanied by an increase in competition.

The Company competes with an increasing number of specialized athletic shoe companies, as well as with large shoe companies having diversified lines of athletic shoes and apparel. Some competitors may have greater financial resources than NIKE.

The Company believes that it is the largest supplier of high quality athletic shoes in the United States and the second largest in the world. Although NIKE is unaware of any comprehensive independent trade statistics, it believes, based on its knowledge of the market and available trade information, that its running, basketball and tennis shoes have the highest sales volume in the United States.

Performance and reliability of shoes, technical and innovative product development, product identity through marketing and promotion, and customer support and services are important aspects of competition in the athletic shoe industry. The Company believes that it is competitive in all these areas.

Trademarks and Patents

NIKE utilizes trademarks on nearly all of its products and believes that having distinctive marks that are readily identifiable is an important factor in creating a market for its products, and in identifying the Company. The Company considers its NIKE and Swoosh design trademarks to be among its most valuable assets and has registered the trademarks in over 70 countries. In addition, the Company owns other trademarks which it utilizes in marketing its products. NIKE vigorously defends its trademarks against infringement and has initiated litigation to protect such trademarks.

The Company has an exclusive, worldwide license to make and sell footwear using the patented NIKE-Air midsole unit. This unit utilizes pressurized gas encapsulated in a polyurethane midsole. The Company also has a number of patents covering component features used in various athletic shoes. Management believes that NIKE's success depends upon skills in design, research and development, production and marketing rather than upon its patent position. However, it has followed a policy of filing applications for United States and foreign patents on inventions it deems valuable.

Employees

At May 31, 1984, the Company had approximately 4,100 employees, as compared with approximately 4,300 employees at May 31, 1983. At May 31, 1984, approximately 1,300 were engaged in footwear manufacturing, 600 in apparel operations, 375 in sales and marketing, 100 in retail stores, 500 in footwear warehousing, 150 in product research and product development, 600 in foreign operations and 475 in general management and administration.

Management considers its employee relations to be excellent. Except for 120 employees in Ireland, none of the Company's employees are represented by a union. There has never been any material interruption of production due to labor disagreements. NIKE maintains an employee benefit program which includes a profit sharing plan and group health, dental, life and disability insurance plans.

ITEM 2. PROPERTIES.

Following is a summary of properties owned or leased by NIKE. The Company's leases expire at various dates through 1995.

U. S. Administrative Offices:

Wilsonville, Oregon - Land Only	41.5 acres owned
Beaverton, Oregon (8 locations)	229,000 sq.ft. leased
Portland, Oregon (4 locations)	40,000 sq.ft. leased
Greenland, New Hampshire	23,000 sq.ft. leased
Memphis, Tennessee	35,000 sq.ft. leased

International Administrative Offices:

Beaverton, Oregon	20,000 sq.ft. leased
European Offices (7 locations)	61,000 sq.ft. leased
Asian Offices	50,000 sq.ft. leased
Canadian Office	10,000 sq.ft. leased

Distribution Facilities:

Greenland, New Hampshire	311,000 sq.ft. leased
Portland, Oregon (6 locations)	586,000 sq.ft. leased
Memphis, Tennessee	625,000 sq.ft. leased
Beaverton, Oregon (3 locations)	332,000 sq.ft. leased
Canada (2 locations)	76,000 sq.ft. leased
European (7 locations):	244,000 sq.ft. leased

Shoe Production Facilities:

Saco, Maine	484,000 sq.ft. owned
Exeter, New Hampshire (2 locations)	370,000 sq.ft. owned
Sanford, Maine	24,000 sq.ft. owned
Navan, Ireland	45,000 sq.ft. leased
Kulim, Malaysia	62,000 sq.ft. owned
Heckmondwike, England	28,000 sq.ft. leased

Retail Stores:

Eight Locations in United States	26,000 sq.ft. leased
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Training Facility:

Eugene, Oregon	4,000 sq.ft. owned
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The Company's current headquarters and administrative offices are located in two adjacent buildings containing approximately 80,000 square feet in Beaverton, Oregon. In 1980, the Company acquired 41.5 acres of real property in nearby Wilsonville, Oregon, for possible future development. In 1984 the Company purchased a 13,500 square foot building in New York City for possible future use as a Shoe and Apparel Showroom.

ITEM 3. LEGAL PROCEEDINGS.

In August 1980, the Company was one of eleven athletic shoe companies subpoenaed to appear in investigational hearings before the Federal Trade Commission to determine whether the companies had engaged in any unfair methods of competition or unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act concerning the advertising and marketing of athletic shoes, including resale price maintenance, making payments to influence the results of the Runner's World annual shoe survey, and advertising the results of that survey in a misleading and deceptive manner. On April 19, 1984, the Federal Trade Commission voted to close its investigation, thus eliminating the possibility of issuance of a complaint against the Company.

In September 1982, BBC Imports, Inc. ("BBC") filed a counterclaim in United States District Court for the Eastern District of Missouri, Eastern Division, to an action brought by the Company against BBC, Tobin-Hamilton Company, Inc. ("Tobin") and three other defendants for trademark infringement, unfair competition, trademark dilution and deceptive trade practices. BBC's counterclaim seeks cancellation of the Company's Swoosh design trademark, and an unspecified amount estimated to be in punitive damages for alleged misuse of such trademark, conspiracy and restraint of trade, an alleged attempt to monopolize the athletic shoe market, interference with BBC's business relations and unfair trade practices. In March 1982, Tobin filed a suit in the same Court seeking a declaration that the Company has no exclusive right to the Swoosh trademark, cancellation of the registration of such trademark, damages in an unspecified amount for alleged wrongful registration and injunctive relief. As a result of settlement negotiations, the claims of NIKE against Tobin and of Tobin against NIKE were dismissed in November 1983. No monetary payment was paid or received by either party. In addition, settlement negotiations are in progress with BBC and the Company expects this litigation to be resolved in the near future. The Company does not anticipate being required to make any payment to BBC or that BBC will prevail on any of its claims.

The Company was named in a lawsuit filed by Jerry Hsieh in the United States District Court for the Northern District of California on March 18, 1983, against the Company, Philip H. Knight (Director, Chairman of the Board and Chief Executive Officer) and various other current and past employees of the Company seeking an unspecified amount, stated by the complaint to be in excess of \$10 million in general damages and \$25 million in punitive damages for alleged breaches of contract and tortious conduct surrounding the Company's termination of a business relationship with Mr. Hsieh. Mr. Hsieh was a purchasing agent for the Company in Taiwan. Although the litigation is at a very preliminary stage, the Company believes that Mr. Hsieh's claims are without merit and will not result in any material loss to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Except for Item 9, the information required by Part II is incorporated herein by reference to NIKE's 1984 Annual Report to Shareholders as indicated below. Except for such information, the 1984 Annual Report to Shareholders is not to be deemed filed as part of this report.

	<u>NIKE Annual Report Page No.</u>
<u>ITEM 5. MARKET FOR THE REGISTRANT'S EQUITY AND RELATED STOCKHOLDER MATTERS</u>	1, 19 & 24
<u>ITEM 6. SELECTED FINANCIAL DATA</u>	1
<u>ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	19
<u>ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA</u>	1 & 20-31
<u>ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	

There has been no change of accountants nor any disagreements on any matter of accounting principles or practices or financial statement disclosure required to be reported under this Item.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item relating to directors of the Company is incorporated by reference from the Company's definitive Proxy Statement dated August 14, 1984 for its 1984 annual meeting of shareholders. The following information is provided about the executive officers of the Company at May 31, 1984. Officers are elected by the Board of Directors and serve at the pleasure of the Board.

Executive Officers of Registrant

Philip H. Knight - Mr. Knight, 46, is a co-founder of the Company and has served as its Chief Executive Officer and Chairman and Director since its organization in 1968. He also held the offices of President and Chief Operating Officer until June 1983.

Robert L. Woodell - Mr. Woodell, 40, has been employed by the Company since September 1968, with primary responsibilities in marketing, production and corporate technology. He was elected a Vice President in October 1980 and elected President and Chief Operating Officer in June 1983.

William J. Bowerman - Mr. Bowerman, 73, is a co-founder of the Company, has served as Vice President and a Director since 1968 and was elected Senior Vice President and Deputy Chairman of the Board in 1980.

Delbert J. Hayes - Mr. Hayes, 49, joined the Company as Treasurer and a Director in August 1975. He thereafter served as Treasurer and in a number of executive positions, primarily in manufacturing, until his election as Executive Vice President in October 1980.

Harry C. Carsh - Mr. Carsh, 45, joined the Company in September 1977, and was elected Vice President in June 1984. Mr. Carsh has held executive positions in accounting, manufacturing and European marketing and is currently manager of the International Division. Prior to joining the Company, he served for four years as Vice President of Finance for Lancet Medical Industries. He is a certified public accountant.

David P-C. Chang - Mr. Chang, 54, joined the Company as a Vice President on April 1, 1981, with responsibilities in the areas of foreign production and apparel, and is currently Director of Corporate Affairs. Mr. Chang served as a consultant to the Company in 1980 and 1981, and maintained an architecture practice from 1960 to 1981.

Neil E. Goldschmidt - Mr. Goldschmidt, 43, joined the Company as a Vice President on March 1, 1981 with responsibilities in international marketing. Mr. Goldschmidt was Secretary of Transportation under President Carter from August 1979 to January 1981. Mr. Goldschmidt was Mayor of the City of Portland, Oregon from 1973 to 1979.

John E. Jaqua - Mr. Jaqua, 63, has been Secretary and a Director of the Company since 1968. Mr. Jaqua has been a principal in the law firm of Jaqua, Wheatley, Gallagher and Holland, P.C., Eugene, Oregon since 1962.

Gary D. Kurtz - Mr. Kurtz, 38, joined the Company in January 1979 and was elected Treasurer in June 1981. Mr. Kurtz was employed by Pacific Western Bank in Portland, Oregon in 1978 and for the four years prior to that was employed by Union Bank in San Francisco, California.

James L. Manns - Mr. Manns, 46, joined the Company in January 1979 as Controller and became Vice President-Finance in October 1980. From November 1972 to December 1978, Mr. Manns served as Division Controller for D G Shelter Products, a subsidiary of DiGiorgio Corporation, in Sacramento, California. Mr. Manns is a certified public accountant.

Ronald E. Nelson - Mr. Nelson, 41, has been employed by the Company since September 1976, with primary responsibilities in finance, marketing and production and is currently Vice President in charge of the Apparel Division. He was elected Vice President in June 1983. Prior to joining the Company, he was employed as a certified public accountant with Price Waterhouse.

George E. Porter - Mr. Porter, 53, joined the Company as Vice President in July 1982 and until June 1 was responsible for data processing and research and development at which time he was named to manage the Footwear Division. Prior to joining the Company, he was Vice President and Controller of Evans Products Company, Portland, Oregon. Mr. Porter is a certified public accountant.

Robert J. Strasser - Mr. Strasser, 36, has been employed by the Company since October 1976 with responsibilities in legal, marketing and international planning areas. He was elected a Vice President in October 1980.

Richard H. Werschkul - Mr. Werschkul, 38, was employed as corporate counsel by the Company from November 1977 through June 1984 and was elected Vice President in June 1983. He is currently in charge of the NIKE European operations and is based in Amsterdam, The Netherlands. From 1974 through 1977, he was employed by the Portland, Oregon law firm of Bullivant, Wright, Leedy, Johnson, Pendergrass and Hoffman.

Information called for by the following Items are incorporated by reference from the indicated pages of the Company's definitive Proxy Statement dated August 14, 1984, for its 1984 annual meeting of shareholders.

	<u>NIKE Proxy Statement</u> <u>Page No.</u>
<u>ITEM 11. EXECUTIVE COMPENSATION</u>	9
<u>ITEM 12. SECURITY OWNERSHIP OF</u> <u>CERTAIN BENEFICIAL</u> <u>OWNERS AND MANAGEMENT</u>	6
<u>ITEM 13. CERTAIN RELATIONSHIPS</u> <u>AND RELATED TRANSACTIONS</u>	11

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES,
AND REPORTS ON FORM 8-K.Page in
Annual Report

(a) The following documents are filed as part of this report:

1. Financial Statements:

Report of Independent Accountants	20
Consolidated Statement of Income for the three years ended May 31, 1984	21
Consolidated Balance Sheet at May 31, 1984 and 1983	22
Consolidated Statement of Changes in Financial Position for the three years ended May 31, 1984	23
Consolidated Statement of Share- holders' Equity for the three years ended May 31, 1984	24
Notes to Consolidated Financial Statements	25-29

2. Financial Statement Schedules:

Report of Independent Accountants on
Financial Statement Schedules
For the three years ended May 31, 1984:
VIII - Valuation and Qualifying Accounts
IX - Short-Term Borrowings
X - Supplementary Income Statement
Information

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:

3.1 Restated Articles of Incorporation as Amended.

3.2 Bylaws as Amended.

4.1 Instruments Defining the Rights of Security holders (see Exhibits 3.1 and 3.2).

13. 1984 Annual Report to Shareholders (portions of which are incorporated by reference as noted above).

Upon written request to the Treasurer, NIKE, Inc. 3900 S.W. Murray Boulevard, Beaverton, Oregon 97005, the Company will furnish shareholders with a copy of any Exhibit upon payment of \$.10 per page, which represents its reasonable expenses in furnishing the Exhibit requested.

- (b) No reports on Form 8-K were filed by the Company during the last quarter of fiscal 1984.

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Report of Independent Accountants on
Financial Statement Schedules

To the Board of Directors and
Shareholders of NIKE, Inc.

Our examinations of the consolidated financial statements referred to in our report dated July 24, 1984 appearing on Page 20 of the 1984 Annual Report to Shareholders of NIKE, Inc. (which report and financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an examination of the Financial Statement Schedules listed in Item 14(a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.



PRICE WATERHOUSE

Portland, Oregon
July 24, 1984

0001

NIKE, Inc.

SCHEDULE VIII - VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

<u>Description</u>	<u>Balance at beginning of period</u>	<u>Charged to costs and expenses</u>	<u>Charged to other accounts</u>	<u>Write-offs net of recoveries</u>	<u>Balance at end of period</u>
For the year ended May 31, 1982:					
Allowance for doubtful accounts	<u>\$ 2,573</u>	<u>\$ 2,149</u>	<u>\$ 62(1)</u>	<u>\$ 907</u>	<u>\$ 3,877</u>
For the year ended May 31, 1983:					
Allowance for doubtful accounts	<u>\$ 3,877</u>	<u>\$ 3,242</u>	<u>_____</u>	<u>\$ 3,368</u>	<u>\$ 3,751</u>
For the year ended May 31, 1984:					
Allowance for doubtful accounts	<u>\$ 3,751</u>	<u>\$ 2,870</u>	<u>\$ _____</u>	<u>\$ 3,032</u>	<u>\$ 3,589</u>

Notes:

(1) Related to purchase of receivables from foreign distributor.

NIKE, Inc.

00023

SCHEDULE IX - SHORT-TERM BORROWINGS(1)

(in thousands)

	<u>Balance at end of period</u>	<u>Weighted average interest rate</u>	<u>Maximum amount outstanding during the period (2)</u>	<u>Average amount outstanding during the period (3)</u>	<u>Weighted average interest rate during the period (3)</u>
For the year ended May 31, 1982:					
Notes payable to banks:					
For domestic operations	\$103,000	16 1/4%	\$103,000	\$85,500	17%
For foreign operations	9,673	14 7/8%	9,673	3,998	14%
Accounts payable to NIAC	52,406	16 3/4%	60,795	39,990	19 5/8%
For the year ended May 31, 1983:					
Notes payable to banks :					
For domestic operations	\$113,000	10 1/8%	\$113,000	\$100,103	12 1/4%
For foreign operations	19,092	10 1/4%	29,831	15,366	11 1/2%
Accounts payable to NIAC	53,591	9 7/8%	101,043	69,633	13%
For the year ended May 31, 1984:					
Notes payable to banks:					
For domestic operations	\$ 83,000	11 4/5%	\$111,813	\$ 70,938	11 1/4%
For foreign operations	60,532	11 1/8%	63,047	47,590	9 1/2%
Accounts payable to NIAC	45,722	11 1/2%	72,843	45,778	10 5/8%

Notes:

- (1) For information pertaining to the general terms of short-term borrowings, see Note 4 to the Consolidated Financial Statements.
- (2) Represents the maximum amount of short-term borrowing outstanding at a month-end during the respective period.
- (3) The average amount outstanding during the period is calculated by dividing the total of principal outstanding at month-end by 12. The weighted average interest rate during the period is calculated by dividing the interest expense for the year by the average amount outstanding.

NIKE, Inc.SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

(in thousands)

	<u>Year ended May 31,</u>		
	<u>1982</u>	<u>1983</u>	<u>1984</u>
Charged to costs and expenses:			
Advertising and promotions	\$31,087	\$41,607	\$53,175

The other required categories of expenses have not been shown because they do not exceed 1% of revenues.

00023

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the Prospectus constituting part of the Registration Statement on Form S-8 (No 2-81419) of NIKE, Inc. of our report dated July 24, 1984, appearing on Page 20 of the 1984 Annual Report which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedules, which appears on Page 17 of this Form 10-K.

Price Waterhouse

PRICE WATERHOUSE

Portland, Oregon
August 9, 1984


00024

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NIKE, Inc.

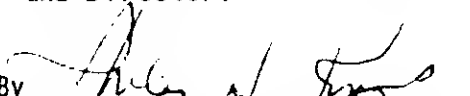
Date August 9, 1984

By 
Philip H. Knight, Chairman of
the Board and Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Principal Executive Officer
and Director:

Date August 9, 1984

By 
Philip H. Knight, Chairman of
the Board and Chief Executive
Officer

Principal Financial and
Accounting Officer:

Date August 9, 1984

By 
James L. Manns
Vice President - Finance

Directors:

Date August 9, 1984By William J. Bowerman
William J. Bowerman
DirectorDate August 9, 1984By _____
Robert T. Davis
DirectorDate August 9, 1984By _____
Richard K. Donahue
DirectorDate August 9, 1984By _____
Albert J. Hayes
DirectorDate August 9, 1984By _____
Douglas G. Houser
DirectorDate August 9, 1984By _____
John E. Jaqua
DirectorDate August 9, 1984By _____
Thomas O. Paine
DirectorDate August 9, 1984By _____
Charles W. Robinson
DirectorDate August 9, 1984By _____
Robert L. Woodell
Director

00026

Directors:

Date August 9, 1984

By _____
William J. Bowerman
Director

Date August 9, 1984

By Robert T. Davis
Robert T. Davis
Director

Date August 9, 1984

By _____
Richard K. Donahue
Director

Date August 9, 1984

By _____
Delbert J. Hayes
Director

Date August 9, 1984

By _____
Douglas G. Houser
Director

Date August 9, 1984

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John E. Jaqua
Director

Date August 9, 1984

By _____
Thomas O. Paine
Director

Date August 9, 1984

By _____
Charles W. Robinson
Director

Date August 9, 1984

By _____
Robert L. Woodell
Director

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Directors:

Date August 9, 1984

By _____
William J. Bowerman
Director

Date August 9, 1984

By _____
Robert T. Davis
Director

Date August 9, 1984

By _____
Richard K. Donahue
Director

Date August 9, 1984

By _____
Delbert J. Hayes
Director

Date August 9, 1984

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Douglas G. Houser
Director

Date August 9, 1984

By _____
John E. Jaqua
Director

Date August 9, 1984

By _____
Thomas O. Paine
Director

Date August 9, 1984

By _____
Charles W. Robinson
Director

Date August 9, 1984

By _____
Robert L. Woodell
Director

00028

Directors:

Date August 9, 1984

By William J. Bowerman
Director

Date August 9, 1984

By Robert T. Davis
Director

Date August 9, 1984

By Richard K. Donahue
Director

Date August 9, 1984

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Date August 9, 1984

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Date August 9, 1984

By _____
Robert L. Woodell
Director

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Directors:

Date August 9, 1984

By _____
William J. Bowerman
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Robert T. Davis
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Date August 9, 1984

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Douglas G. Houser
Director

Date August 9, 1984

By  _____
John E. Jaqua
Director

Date August 9, 1984

By _____
Thomas O. Paine
Director

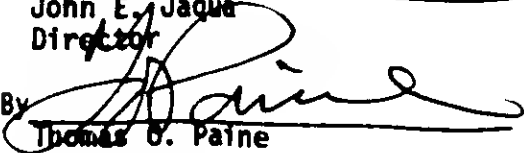
Date August 9, 1984

By _____
Charles W. Robinson
Director

Date August 9, 1984

By _____
Robert L. Woodell
Director

Directors:

Date August 9, 1984By _____
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Robert L. Woodell
Director

EXHIBIT INDEX

<u>Exhibit</u>		<u>Page</u>
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3.2	Bylaws as Amended	64
13	1984 Annual Report to Shareholders	90

ARTICLES OF INCORPORATION

The following Restated Articles of Incorporation of NIKE, Inc. were adopted by the shareholders at a special meeting of the shareholders held on October 31, 1980.

The articles of incorporation form the primary instrument by which a private corporation is organized under general corporate law. The articles contain the name of the corporation, a statement of the purposes for which the corporation has been organized, the amount of authorized capital stock, the composition of the Board of Directors, a description of voting rights, a procedure for amendment, a provision regarding indemnification of directors and a provision regarding preemptive rights.

RESTATED ARTICLES OF INCORPORATION
OF NIKE, INC.

ARTICLE I

These Restated Articles of Incorporation supersede the previously existing Articles of Incorporation of NIKE, Inc. and all amendments thereto.

ARTICLE II

The name of this Corporation is NIKE, Inc., and its duration shall be perpetual.

ARTICLE III

The purposes for which this Corporation is organized are to engage in any lawful activity for which corporations may be organized under ORS Chapter 57.

ARTICLE IV

The aggregate number of shares which the Corporation shall have the authority to issue is divided as follows:

- A. 20,000,000 shares of Class A Common Stock, no par value;
- B. 30,000,000 shares of Class B Common Stock, no par value; and
- C. 300,000 shares of Preferred Stock, \$1.00 par value.

Immediately upon the filing of these Restated Articles of Incorporation with the Corporation Commissioner for the State of Oregon, each share of the Corporation's Common Stock, without par value, outstanding immediately prior to such filing shall become, without further action and without the necessity

of transfer or exchange of any share certificates, 30 shares of the Corporation's Class A Common Stock, without par value, and the holders thereof shall be entitled to all of the rights and preferences of such class of stock as set forth in these Restated Articles of Incorporation.

The Class A Common Stock and the Class B Common Stock are sometimes collectively referred to herein as the "Common Stock." The designations, preferences, limitations and relative rights granted to or imposed upon the respective classes of the shares of capital stock and the holders thereof are as follows:

A. Preferred Stock, \$1.00 par value

1. Dividends. The holders of Preferred Stock shall be entitled to receive dividends at the rate of \$.10 per share per annum payable annually on May 31. Dividends shall be cumulative. Computation of the amount of dividends accrued in respect of a fraction of a year shall be on the basis of a 365-day year. In case dividends for any period are not paid in full, all shares of Preferred Stock shall participate ratably in the payment of dividends for such period in proportion to the full amount of such dividends for such period to which they are entitled. Unpaid dividends shall bear interest at the rate of 12 percent per annum. No dividend shall be declared or paid or set apart for payment in any fiscal year on the Common Stock or on any class of stock of the Corporation ranking as to dividends subordinate to the Preferred Stock, until all dividends for such fiscal year for all outstanding shares of Preferred Stock have been declared and paid, or set apart for payment, in full.

2. Voting Rights. Except as otherwise expressly required by law, shares of Preferred Stock shall not be entitled to vote on any matter submitted to shareholders, other than matters listed below:

(a) Sale of all or substantially all of the assets of the Corporation or any of its subsidiaries.

(b) Merger, consolidation, liquidation or dissolution of the Corporation.

(c) Sale or assignment of the "NIKE" trademark for athletic shoes sold in the United States.

On any of the foregoing matters or on any matters as to which voting of the Preferred Stock shall be expressly required by law, such stock shall be entitled to one vote per share, and it shall vote as a separate class.

If any such matter is submitted for approval by Preferred Shareholders and is not approved by the holders of more than 66-2/3 percent of the shares of Preferred Stock outstanding, the Corporation and the holders of Preferred Stock shall have the following rights and obligations:

(a) Holders of Preferred Stock voting against the action may require the Corporation to redeem all of its shares of Preferred Stock by giving written notice to the Corporation and stating that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be less than 60 days from the date of the notice. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(b) The Corporation may redeem any or all of the shares of Preferred Stock voting against the action by

giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be more than 60 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

3. Liquidation. The holders of Preferred Stock shall be entitled to receive, before any payment or distribution of the assets of the Corporation, whether capital or surplus, shall be made to or set apart for the holders of the Common Stock or any other series or class of stock ranking junior to such Preferred Stock as to rights upon liquidation, dissolution or winding up of the affairs of the Corporation, voluntarily or involuntarily, \$1.00 per share, together with all dividends declared and unpaid thereon to the date of final distribution, and no more. If, upon liquidation, dissolution or winding up of the Corporation, the assets of the Corporation distributable among the holders of Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets shall be distributed among such holders ratably in proportion to the full amounts which would be payable on said shares if all amounts payable thereon were paid in full. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor a sale, transfer or lease of all or any part of the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph.

4. Redemption by the Corporation. The Corporation, at its option, may redeem shares of Preferred Stock in any one or more of the following situations:

(a) The Corporation may redeem all, but not less than all, of the shares of Preferred Stock by giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date which shall not be more than 90 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any. At the time of any redemption under this paragraph A.4.(a) of Article IV, in addition to paying the redemption price, the Corporation shall repay the entire indebtedness owed by the Corporation to the holders of Preferred Stock.

(b) If a holder of Preferred Stock desires to sell or transfer the Preferred Stock (to any person other than Nissho Iwai Co., Ltd. or one of its subsidiaries), the Corporation may redeem the Preferred Stock proposed for sale. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(1) In the event of a proposed sale or transfer, the holder of Preferred Stock shall notify the Corporation of its intention to sell or transfer the Preferred Stock and provide the Corporation with the name of the proposed transferee and the terms of the transfer. If the Corporation chooses to exercise its right to redeem, the Corporation shall give the holder of Preferred Stock written notice of its intention to redeem within 15 days from the date the Corporation receives notice of the holder's proposed sale or transfer. Any such redemption notice by the Corporation will provide for redemption no more than 60 days from the time such redemption

notice is given by the Corporation to the holder of Preferred Stock.

(ii) If a holder of Preferred Stock sells or transfers Preferred Stock, any transferee shall be subject to the redemption rights set forth in these Articles.

(c) In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the Corporation may redeem by giving written notice to the holders of the Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed on a specified date which shall not be more than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

Notice of any proposed redemption of shares of Preferred Stock shall be given by the Corporation by mailing a copy of such notice to the holders of record of the shares to be redeemed, at their respective addresses as appearing on the books of the Corporation.

5. Redemption by Holder. In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the holders of the Preferred Stock may redeem by giving written notice to the Corporation and stating in such notice that the shares shall be redeemed on a specified date which shall not be less than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

B. Class A Common Stock and Class B Common Stock.

1. Voting Rights. Subject to the rights granted herein to the Preferred Stock, the holders of the Common Stock shall possess all of the voting power of the capital stock of this Corporation. All such shares shall have one vote per share and shall vote together as one class except as provided in this Article IV, Section B, subsection 1, or as may otherwise be required by law.

At any time that the number of outstanding shares of the Class B Common Stock shall equal or exceed 15 percent of the total outstanding shares of Common Stock, determined as of the record date established for the purpose of determining shareholders entitled to vote, the shares of the Class A and Class B Common Stock shall vote separately for the purpose of electing directors. At any such time, the holders of the Class B Common Stock, voting as a separate class, shall be entitled to elect a number of directors which in proportion to the total number of directors then constituting the entire Board of Directors is equal to the proportion of the outstanding shares of Class B Common Stock to all outstanding Common Stock, subject to the limitations hereinafter set forth. In determining the number of directors to be elected under such calculation, any fractional interest attributed to such number shall be disregarded. At all times when such classes are required to vote separately for the election of directors, the holders of the Class B Common Stock shall be entitled to elect not less than one director. The holders of the Class A Common Stock, voting separately, shall elect all remaining members of the Board of Directors. The two classes shall continue to vote separately for the election of directors as long as the shares of the outstanding Class B Common Stock represent 15 percent or more of the total outstanding Common Stock.

Notwithstanding any of the foregoing, and without regard to the proportion of outstanding Class B Common Stock to all outstanding Common Stock, at no time shall the holders of the Class B Common Stock be entitled to elect more than one director if the number of directors so elected would exceed 25 percent of the total number of authorized directors.

Without regard to the above provisions relating to class voting for directors, if at any time the Class A Common Stock shall be less than 10 percent of total outstanding Common Stock, all shares of Common Stock shall thereafter be considered as one class of stock and shall vote as one class on all matters on which shareholders are entitled to vote.

In any vote for the removal of a director from office, the shares of the Class A and Class B Common Stock shall vote together and as one class, except for a director elected by the vote of either the Class A Common Stock or the Class B Common Stock, voting separately as a class, or a director appointed to fill the vacancy left by a director who was elected by separate class vote, may be removed from office only upon the affirmative vote of the holders of a majority of the outstanding shares of the class which elected him or her predecessor.

Nothing within this Article IV concerning voting rights is intended to modify or otherwise affect the voting provisions which are contained in Article IV of these Restated Articles of Incorporation.

2. Conversion Rights of the Class A Common Stock.

Subject to the following terms and conditions, each share of Class A Common Stock shall be convertible into a fully paid and nonassessable share of the Class B Common

Stock. At the option of the respective holders, up to 800,000 shares of Class A Common Stock which will be outstanding upon the filing with the Oregon Corporation Commissioner of these Restated Articles of Incorporation shall be convertible at any time, and all remaining shares shall be convertible at any time from and after the 90th day following the effective date under the Securities Act of 1933 of the Corporation's Registration Statement filed with the Securities and Exchange Commission in October 1980. The conversion ratio shall be one share of Class B Common Stock for each share of Class A Common Stock surrendered for conversion. Such conversion rights shall include and be subject to the following:

(a) Conversion may be affected as to all or any whole number of shares evidenced by any certificate for shares of Class A Common Stock upon surrender of such certificate to the Corporation at its principal office or to such agent or agents as may be designated by the Board of Directors. Shares so surrendered for conversion shall be accompanied by written evidence of the holder's election to convert such shares and (if so requested by the Corporation) accompanied by an instrument of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney.

(b) As promptly as practicable after the surrender of the shares for conversion in the manner herein provided, the Corporation shall deliver or cause to be delivered to the holder of the shares so surrendered, certificates representing the number of fully paid and nonassessable shares of the Class B Common Stock of the Corporation into which such shares of Class A may be converted together with (if the certificate for the shares of Class A surrendered includes shares which are not being converted) certificates representing the

number of shares of Class A Common Stock not then being so converted. Such conversion shall be deemed to have been made as soon as the shares of the Class A Common have been surrendered for conversion in the manner herein provided, so that the rights of the holder of the shares of Class A Common so surrendered shall cease at such time and the person entitled to receive the Class B Common Stock upon such conversion shall be treated for all purposes as having become the record holder of such shares of Class B Common Stock at such time; provided, however, that no such surrender on any date when the stock transfer books of the Corporation shall be closed or after the record date shall have been set shall be effective to constitute the person or persons entitled to receive the shares of Class B Common Stock upon conversion of their shares of Class A Common Stock as the record holder or holder of such shares of Class B Common Stock on such date, but rather such shares shall retain the rights of Class A Common Stock until after the event for which the record date was set or the transfer books were closed.

(c) The Corporation shall at all times reserve and keep available for issue upon the conversion of the Class A Common Stock such number of its authorized but unissued shares of Class B Common Stock as will be sufficient to permit the conversion of all outstanding shares of the Class A Common Stock.

(d) In the case of any reclassification of the outstanding shares of the Class B Common Stock, or in the case of any consolidation or merger of the Corporation with or into another corporation, the result of which is that shares of Class B Common Stock become convertible into or entitled to receive securities or other property different from that which shares of

Class A Common Stock then outstanding shall have the right thereafter to convert any of such shares into the kind and amount of shares of stock and other securities which a holder of that number of shares of the Class B Common Stock into which such shares are convertible received or is entitled to receive.

(e) At no time shall the record date be set for any vote by the shareholders of the Corporation upon any merger, consolidation, sale of substantially all of the assets of the Corporation or any other event which under the Oregon Business Corporation Act is required to be submitted to the shareholders for a vote without first providing not less than 10 days' prior written notice of such date and event to the registered holders of the Class A Common Stock as shown on the books of the Corporation, if as a part of such transaction the shares of the Class B Common Stock are to be treated differently or to be entitled to different rights than the shares of the Class A Common Stock.

3. Other Rights. All rights to which holders of capital stock are entitled and which are not expressly granted to the Preferred Stock under this Article are reserved to and vested in the Common Stock. In all respects other than voting, which rights are set forth hereinabove, the shares of the Class A and the Class B Common Stock shall have identical rights, provided that no stock dividend, stock split or other issuance of shares by the Corporation without consideration shall without express authorization of the Board of Directors result in the shares of one class of stock becoming entitled to receive shares of the other. No stock dividend, stock split or other issuance of shares without consideration shall be effected by the Corporation with respect to either class of Common Stock except such action as shall affect both classes of stock ratably on a

share-for-share basis. There shall be no preference between shares of Class A Common Stock and shares of Class B Common Stock with respect to dividends or the rights to proceeds upon liquidation, dissolution or the winding up of the affairs of the Corporation.

ARTICLE V

The authorized number of directors of the Corporation shall be seven, provided that such number may be increased (or decreased to not less than 5) by resolution of the Board of Directors. Vacancies on the Board may be filled by the affirmative vote of the remaining directors, including any vacancy created by an increase in the number of directors, provided that no vacancy created by the resignation, removal from office or death of a director who was elected by a separate class vote of the Common Stock shall be filled by the Board of Directors, except upon the affirmative vote of a majority of the remaining directors similarly elected by such class. If none shall be remaining, the vacancy shall be filled by the remainder of the directors.

ARTICLE VI

A. The affirmative vote of the holders of not less than 80 percent of all outstanding Common Stock, voting as one class, shall be required for the approval or authorization of any "business combination" (as hereafter defined) with any person or entity which, as of the record date for the determination of the shareholders entitled to notice thereof and to vote thereon, is the beneficial owner of 10 percent or more of the outstanding Common Stock of the Corporation. Any such 80 percent vote in order to constitute due and valid authorization under this Article must include not less than 50 percent of the Common Stock held by persons other than the person or entity interested in such transaction.

B. The term "business combination" shall mean:

1. any merger or consolidation of the Corporation or any subsidiary of the Corporation with or into any other person or entity;
2. the sale of substantially all of the shares of the Corporation to any other person or entity; or
3. any other transaction with such person or entity for which approval of the shareholders of this Corporation is required by law or by any agreement between the Corporation and any national securities exchange.

C. The foregoing voting requirements shall not be applicable to any business combination approved by resolution of the Board of Directors prior to any such shareholder vote, provided that the resolution received the affirmative vote of a majority of the directors elected at the most recent annual meeting of shareholders (including any replacements for such directors who were appointed by the board), or to any business combination solely between the Corporation and any other corporation or entity in which 50 percent or more of the voting stock or interest is owned by the Corporation.

D. Beneficial ownership for purposes of this Section shall be deemed to include all shares which would be determined to be beneficially owned (whether directly by such person or entity or indirectly through any affiliate or otherwise) under Rule 13d-3 of the Securities and Exchange Commission as in effect on the date of filing of these Restated Articles of Incorporation with the Oregon Corporation Commissioner as well as all shares of the Corporation which the other entity has the right to acquire, pursuant to any agreement or otherwise.

E. The determination of whether a proposed business combination is within the scope of this Article VI, including

without limitation, the determination of whether such other party beneficially owns 10 percent or more of the outstanding Common Stock of the Corporation for purposes of this Article VI, shall be made by the Board of Directors. Such determination shall, if made in good faith, be binding upon all parties.

F. The shareholder vote, if any, required for any business combination not expressly subject to the super majority voting provisions of this Article VI shall be such vote as may otherwise be required by applicable law.

ARTICLE VII

Articles V and VI and this Article VII of these Restated Articles of Incorporation may not be amended except upon the affirmative vote of 80 percent of the outstanding Common Stock.

ARTICLE VIII

The Corporation shall indemnify to the fullest extent permitted by the Oregon Business Corporation Act any person (and his successor in interest) who is made or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise (including any action by or in the right of the Corporation) by reason of the fact that he or the person through whom his interest was derived is or was a director, officer, employee or agent of the Corporation or someone who served at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, association or other enterprise.

ARTICLE IX

A. No contract or other transaction between the Corporation and one or more of its directors or any other corporation,

firm, association or entity in which one or more of its directors are directors or officers or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his or their votes are counted for such purpose, if:

1. The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or

2. The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or

3. The contract or transaction is fair and reasonable to the Corporation.

B. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes or ratifies such contract or transaction.

This Article shall not invalidate any contract or other transaction which would otherwise be valid under applicable law.

ARTICLE X

No holder of any class of stock of the Corporation now or hereafter authorized shall have any preemptive or preferential right of subscription to or otherwise be entitled to acquire

any shares of any class of stock of the Corporation, whether now or hereafter authorized, or to any obligation convertible or exchangeable into stock of the Corporation, or any right, option or warrant of subscription to any of the foregoing, other than such, if any, as may be specifically authorized by, pursuant to the authority hereby given, the Board of Directors.

ARTICLE XI

The stated capital of the Corporation at the time of the adoption of these Restated Articles of Incorporation is \$489,000.

Executed this 25th day of November, 1980.

NIKE, Inc.

By

Philip H. Knight
President

By

Douglas G. Houser
Assistant Secretary

The undersigned declares under penalty of perjury that he has examined the foregoing and to the best of his knowledge and belief it is true, correct and complete.

Philip H. Knight

These Restated Articles of Incorporation were adopted on October 31, 1980, at which time 538,000 shares of Common Stock were outstanding and entitled to vote thereon, of which 465,000 voted for adoption and none voted against adoption.

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ARTICLES OF AMENDMENT

The following amendment to the Articles of Incorporation was adopted by a majority of the shareholders of NIKE, Inc. at the Annual Meeting on September 16, 1983.

ARTICLES OF AMENDMENT

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NIKE, Inc.

Pursuant to ORS 57.360(1), a majority of the shareholders of the Corporation entitled to vote thereon adopt the following Articles of Amendment:

1. The name of the Corporation prior to this Amendment is: NIKE, Inc.
2. The following amendment of the Articles of Incorporation was adopted by the shareholders on September 16, 1983:

ARTICLE IV is amended to read as follows:

ARTICLE IV

The aggregate number of shares which the Corporation shall have the authority to issue is divided as follows:

- A. 20,000,000 shares of Class A Common Stock, no par value;
- B. 50,000,000 shares of Class B Common Stock, no par value; and
- C. 300,000 shares of Preferred Stock, \$1.00 par value.

Immediately upon the filing of these Restated Articles of Incorporation with the Corporation Commissioner for the State of Oregon, each share of the Corporation's Common Stock, without par value, outstanding immediately prior to such filing shall become, without further action and without the necessity

of transfer or exchange of any share certificates, 30 shares of the Corporation's Class A Common Stock, without par value, and the holders thereof shall be entitled to all of the rights and preferences of such class of stock as set forth in these Restated Articles of Incorporation.

The Class A Common Stock and the Class B Common Stock are sometimes collectively referred to herein as the "Common Stock." The designations, preferences, limitations and relative rights granted to or imposed upon the respective classes of the shares of capital stock and the holders thereof are as follows:

A. Preferred Stock, \$1.00 par value

1. Dividends. The holders of Preferred Stock shall be entitled to receive dividends at the rate of \$.10 per share per annum payable annually on May 31. Dividends shall be cumulative. Computation of the amount of dividends accrued in respect of a fraction of a year shall be on the basis of a 365-day year. In case dividends for any period are not paid in full, all shares of Preferred Stock shall participate ratably in the payment of dividends for such period in proportion to the full amount of such dividends for such period to which they are entitled. Unpaid dividends shall bear interest at the rate of 12 percent per annum. No dividend shall be declared or paid or set apart for payment in any fiscal year on the Common Stock or on any class of stock of the Corporation ranking as to dividends subordinate to the Preferred Stock, until all dividends for such fiscal year for all outstanding shares of Preferred Stock have been declared and paid, or set apart for payment, in full.

2. Voting Rights. Except as otherwise expressly required by law, shares of Preferred Stock shall not be entitled to vote on any matter submitted to shareholders, other than matters listed below:

(a) Sale of all or substantially all of the assets of the Corporation or any of its subsidiaries.

(b) Merger, consolidation, liquidation or dissolution of the Corporation.

(c) Sale or assignment of the "NIKE" trademark for athletic shoes sold in the United States.

On any of the foregoing matters or on any matters as to which voting of the Preferred Stock shall be expressly required by law, such stock shall be entitled to one vote per share, and it shall vote as a separate class.

If any such matter is submitted for approval by Preferred Shareholders and is not approved by the holders of more than 66-2/3 percent of the shares of Preferred Stock outstanding, the Corporation and the holders of Preferred Stock shall have the following rights and obligations:

(a) Holders of Preferred Stock voting against the action may require the Corporation to redeem all of its shares of Preferred Stock by giving written notice to the Corporation and stating that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be less than 60 days from the date of the notice. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(b) The Corporation may redeem any or all of the shares of Preferred Stock voting against the action by giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date, which may not be more than 60 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

3. Liquidation. The holders of Preferred Stock shall be entitled to receive, before any payment or distribution of the assets of the Corporation, whether capital or surplus, shall be made to or set apart for the holders of the Common Stock or any other series or class of stock ranking junior to such Preferred Stock as to rights upon liquidation, dissolution or winding up of the affairs of the Corporation, voluntarily or involuntarily, \$1.00 per share, together with all dividends declared and unpaid thereon to the date of final distribution, and no more. If, upon liquidation, dissolution or winding up of the Corporation, the assets of the Corporation distributable among the holders of Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets shall be distributed among such holders ratably in proportion to the full amounts which would be payable on said shares if all amounts payable thereon were paid in full. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger or consolidation of any other corporation into or with the Corporation, nor a sale, transfer or lease of all or any part of the assets of the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this paragraph.

4. Redemption by the Corporation. The Corporation, at its option, may redeem shares of Preferred Stock in any one or more of the following situations:

(a) The Corporation may redeem all, but not less than all, of the shares of Preferred Stock by giving written notice to the holders of Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed by the Corporation on a specified date which shall not be more than 90 days from the date the notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any. At the time of any redemption under this paragraph A.4.(a) of Article IV, in addition to paying the redemption price, the Corporation shall repay the entire indebtedness owed by the Corporation to the holders of Preferred Stock.

(b) If a holder of Preferred Stock desires to sell or transfer the Preferred Stock (to any person other than Nissho Iwai Co., Ltd. or one of its subsidiaries), the Corporation may redeem the Preferred Stock proposed for sale. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

(i) In the event of a proposed sale or transfer, the holder of Preferred Stock shall notify the Corporation of its intention to sell or transfer the Preferred Stock and provide the Corporation with the name of the proposed transferee and the terms of the transfer. If the Corporation chooses to exercise its right to redeem, the Corporation shall give the holder of Preferred Stock written notice of its intention to

redeem within 15 days from the date the Corporation receives notice of the holder's proposed sale or transfer. Any such redemption notice by the Corporation will provide for redemption no more than 60 days from the time such redemption notice is given by the Corporation to the holder of Preferred Stock.

(ii) If a holder of Preferred Stock sells or transfers Preferred Stock, any transferee shall be subject to the redemption rights set forth in these Articles.

(c) In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the Corporation may redeem by giving written notice to the holders of the Preferred Stock and stating in such notice that the shares of Preferred Stock shall be redeemed on a specified date which shall not be more than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

Notice of any proposed redemption of shares of Preferred Stock shall be given by the Corporation by mailing a copy of such notice to the holders of record of the shares to be redeemed, at their respective addresses as appearing on the books of the Corporation.

5. Redemption by Holder. In the event that the Supply Agreement executed by the Corporation and Nissho Iwai American Corporation on October 7, 1976, is terminated by either party, the holders of the Preferred Stock may redeem by giving written notice to the Corporation and stating in

such notice that the shares shall be redeemed on a specified date which shall not be less than 60 days from the date such notice is given. The redemption price shall be \$1.00 per share, plus accrued dividends and interest, if any.

B. Class A Common Stock and Class B Common Stock.

1. Voting Rights. Subject to the rights granted herein to the Preferred Stock, the holders of the Common Stock shall possess all of the voting power of the capital stock of this Corporation. All such shares shall have one vote per share and shall vote together as one class except as provided in this Article IV, Section B, subsection 1, or as may otherwise be required by law.

At any time that the number of outstanding shares of the Class B Common Stock shall equal or exceed 15 percent of the total outstanding shares of Common Stock, determined as of the record date established for the purpose of determining shareholders entitled to vote, the shares of the Class A and Class B Common Stock shall vote separately for the purpose of electing directors. At any such time, the holders of the Class B Common Stock, voting as a separate class, shall be entitled to elect a number of directors which in proportion to the total number of directors then constituting the entire Board of Directors is equal to the proportion of the outstanding shares of Class B Common Stock to all outstanding Common Stock, subject to the limitations hereinafter set forth. In determining the number of directors to be elected under such calculation, any fractional interest attributed to such number shall be disregarded. At all times when such classes are required to vote separately for the election of directors, the holders of the Class B Common Stock shall be entitled to

elect not less than one director. The holders of the Class A Common Stock, voting separately, shall elect all remaining members of the Board of Directors. The two classes shall continue to vote separately for the election of directors as long as the shares of the outstanding Class B Common Stock represent 15 percent or more of the total outstanding Common Stock.

Notwithstanding any of the foregoing, and without regard to the proportion of outstanding Class B Common Stock to all outstanding Common Stock, at no time shall the holders of the Class B Common Stock be entitled to elect more than one director if the number of directors so elected would exceed 25 percent of the total number of authorized directors.

Without regard to the above provisions relating to class voting for directors, if at any time the Class A Common Stock shall be less than 10 percent of total outstanding Common Stock, all shares of Common Stock shall thereafter be considered as one class of stock and shall vote as one class on all matters on which shareholders are entitled to vote.

In any vote for the removal of a director from office, the shares of the Class A and Class B Common Stock shall vote together and as one class, except for a director elected by the vote of either the Class A Common Stock or the Class B Common Stock, voting separately as a class, or a director appointed to fill the vacancy left by a director who was elected by separate class vote, may be removed from office only upon the affirmative vote of the holders of a majority of the outstanding shares of the class which elected him or her predecessor.

Nothing within this Article IV concerning voting rights is intended to modify or otherwise affect the voting provisions which are contained in Article VI of these Restated Articles of Incorporation.

2. Conversion Rights of the Class A Common Stock.

Subject to the following terms and conditions, each share of Class A Common Stock shall be convertible into a fully paid and nonassessable share of the Class B Common Stock. At the option of the respective holders, up to 1,017,000 shares of Class A Common Stock which will be outstanding upon the filing with the Oregon Corporation Commissioner of these Restated Articles of Incorporation shall be convertible at any time, and all remaining shares shall be convertible at any time from and after the 90th day following the effective date under the Securities Act of 1933 of the Corporation's Registration Statement filed with the Securities and Exchange Commission in October 1980. The conversion ratio shall be one share of Class B Common Stock for each share of Class A Common Stock surrendered for conversion. Such conversion rights shall include and be subject to the following:

(a) Conversion may be affected as to all or any whole number of shares evidenced by any certificate for shares of Class A Common Stock upon surrender of such certificate to the Corporation at its principal office or to such agent or agents as may be designated by the Board of Directors. Shares so surrendered for conversion shall be accompanied by written evidence of the holder's election to convert such shares and (if so requested by the Corporation) accompanied by an instrument of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney.

(b) As promptly as practicable after the surrender of the shares for conversion in the manner herein provided, the Corporation shall deliver or cause to be delivered to the holder of the shares so surrendered, certificates representing the number of fully paid and nonassessable shares of the Class B Common Stock of the Corporation into which such shares of Class A may be converted together with (if the certificate for the shares of Class A surrendered includes shares which are not being converted) certificates representing the number of shares of Class A Common Stock not then being so converted. Such conversion shall be deemed to have been made as soon as the shares of the Class A Common have been surrendered for conversion in the manner herein provided, so that the rights of the holder of the shares of Class A Common so surrendered shall cease at such time and the person entitled to receive the Class B Common Stock upon such conversion shall be treated for all purposes as having become the record holder of such shares of Class B Common Stock at such time; provided, however, that no such surrender on any date when the stock transfer books of the Corporation shall be closed or after the record date shall have been set shall be effective to constitute the person or persons entitled to receive the shares of Class B Common Stock upon conversion of their shares of Class A Common Stock as the record holder or holder of such shares of Class B Common Stock on such date, but rather such shares shall retain the rights of Class A Common Stock until after the event for which the record date was set or the transfer books were closed.

(c) The Corporation shall at all times reserve and keep available for issue upon the conversion of the Class A Common Stock such number of its authorized but unissued shares of Class B Common Stock as will be sufficient to permit the conversion of all outstanding shares of the Class A Common Stock.

(d) In the case of any reclassification of the outstanding shares of the Class B Common Stock, or in the case of any consolidation or merger of the Corporation with or into another corporation, the result of which is that shares of Class B Common Stock become convertible into or entitled to receive securities or other property different from that which shares of Class A Common Stock then outstanding shall have the right thereafter to convert any of such shares into the kind and amount of shares of stock and other securities which a holder of that number of shares of the Class B Common Stock into which such shares are convertible received or is entitled to receive.

(e) At no time shall the record date be set for any vote by the shareholders of the Corporation upon any merger, consolidation, sale of substantially all of the assets of the Corporation or any other event which under the Oregon Business Corporation Act is required to be submitted to the shareholders for a vote without first providing not less than 10 days' prior written notice of such date and event to the registered holders of the Class A Common Stock as shown on the books of the Corporation, if as a part of such transaction the shares of the Class B Common Stock are to be treated differently or to be entitled to different rights than the shares of the Class A Common Stock.

3. Other Rights. All rights to which holders of capital stock are entitled and which are not expressly granted to the Preferred Stock under this Article are reserved to and vested in the Common Stock. In all respects other than voting, which rights are set forth hereinabove, the shares of the Class A and the Class B Common Stock shall have identical rights, provided that no stock dividend, stock split or other issuance of shares by the Corporation without consideration shall without express authorization of the Board of Directors result in the shares of one class of stock becoming entitled to receive shares of the other. No stock dividend, stock split or other issuance of shares without consideration shall be effected by the Corporation with respect to either class of Common Stock except such action as shall affect both classes of stock ratably on a share-for-share basis. There shall be no preference between shares of Class A Common Stock and shares of Class B Common Stock with respect to dividends or the rights to proceeds upon liquidation, dissolution or the winding up of the affairs of the Corporation.

BYLAWS

The following Restated Bylaws of NIKE, Inc., were adopted by the Board of Directors at a meeting of the Board held on October 31, 1981.

The bylaws act as a contract between the corporation and its shareholders. They define the operating procedure of the corporation and the manner of its internal control. The bylaws contain information regarding the time and place for shareholders' meetings, a description of the powers and functioning of the Board of Directors, a list of officers and their respective duties, a list of authorized committees of the Board and various other provisions regarding operation of the corporation.

RESTATED BYLAWS
OF
NIKE, INC.

ARTICLE I
OFFICES

Section 1. PRINCIPAL OFFICES

The principal executive offices of the corporation shall be located in the City of Beaverton, State of Oregon, or such other offices as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES

The corporation may also have offices at such other places, either within or without the State of Oregon, as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II
SHAREHOLDERS: MEETINGS AND VOTING

Section 1. PLACE OF MEETINGS

Meetings of the shareholders shall be held at Beaverton, Oregon, at the principal office of the corporation or at such other location designated by the board of directors.

Section 2. ANNUAL MEETINGS (Adopted on June 19, 1981)

The annual meeting of shareholders shall be held on the fourth Tuesday in September of each year, if not a legal holiday, and if a legal holiday, then on the next succeeding business day, at such time as may be prescribed by the board of directors and specified in the notice of the meeting. At the annual meeting the shareholders shall elect by vote a board of

directors, consider reports of the affairs of the corporation and transact such other business as may properly be brought before the meeting. If the annual meeting is not held at the designated time, the President or the board of directors may call the annual meeting at a time fixed by them not more than 60 days before or after such designated time by proper notice designating the meeting as the annual meeting.

Section 3. SPECIAL MEETINGS

Special meetings of the shareholders may be called at any time by the President, or the Chairman of the Board, the Executive Vice President, a majority of the board of directors, or the holders of not less than one-tenth of all the shares entitled to vote at such meeting.

Section 4. NOTICE OF MEETINGS

(a) Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than 10 nor more than 50 days before the date of the meeting, either personally or by mail, by or at the direction of the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

(b) When a meeting is adjourned for 30 days or more, or when a redetermination of the persons entitled to receive notice of the adjourned meeting is required by law, notice of the adjourned meeting shall be given as for an original meeting.

In all other cases no notice of the adjournment or of the business to be transacted at the adjourned meeting need be given other than by announcement at the meeting at which such adjournment is taken.

Section 5. QUORUM.

(a) At any meeting of the shareholders the holders of a majority of the shares entitled to vote being present in person or represented by proxy shall constitute a quorum for the transaction of business. The shareholders present at a duly organized meeting may continue to transact business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

(b) In the absence of a quorum a majority of those present in person or represented by proxy may adjourn the meeting from time to time until a quorum shall attend. Any business which might have been transacted at the original meeting may be transacted at the adjourned meeting if a quorum exists.

Section 6. VOTING RIGHTS

The voting rights of holders of stock of this corporation, and the circumstances under which any class of stock has special voting rights and the manner of exercise thereof, are as set forth in the Restated Articles of Incorporation, as and if amended (the "Restated Articles of Incorporation"), of this corporation.

The persons entitled to receive notice of and to vote at any shareholders' meeting shall be determined from the records of the corporation on the date of mailing of the notice or on such other date not more than 50 nor less than 10 days before such meeting as shall be fixed in advance by the board of directors.

Section 7. VOTING OF SHARES BY CERTAIN HOLDERS

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by him either in person or by proxy without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

(d) A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares or shares of its own stock held by this corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of such other corporations is held by this corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

Section 8. PROXIES.

Every shareholder entitled to vote or to execute any waiver or consent may do so either in person or by written proxy duly executed and filed with the secretary of the corporation. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 9. VOTING LISTS

The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list for a period of ten days prior to such meeting shall be kept on file at the registered office of the corporation and shall be subject to inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders. Failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

ARTICLE III

DIRECTORS: MANAGEMENTSection 1. POWERS.

The business and affairs of the corporation shall be managed by a board of directors who shall exercise or direct the

exercise of all corporate powers except to the extent shareholder authorization is required by law, the Restated Articles of Incorporation or these Bylaws.

Section 2. NUMBER

The board of directors shall be determined in the manner provided in the Restated Articles of Incorporation. No reduction of the number of directors as may be effected by the Board of Directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 3. ELECTION AND TENURE OF OFFICE

The directors shall be elected by ballot at the annual meeting of the shareholders, by separate vote of the Class A and Class B Common Stock if and in the manner required by the Restated Articles of Incorporation, to serve for one year or until qualified successors are elected and accept office. Their term of office shall begin immediately after election.

Section 4. VACANCIES.

(a) A vacancy in the board of directors shall exist upon death, resignation or removal of any director.

(b) Vacancies in the board of directors may be filled by a majority of the remaining directors, as provided and subject to the limitations set forth in the Restated Articles of Incorporation, though less than a quorum, or by a sole remaining director. Each director so elected shall hold office for the balance of the unexpired term of his predecessor and until his qualified successor is elected and accepts office.

(c) The shareholders may at any time elect a director to fill any vacancy not filled by the directors, and shall elect

the additional directors in the event an amendment of the by-laws is adopted increasing the number of directors, except that the board of directors is authorized to elect not to exceed three additional directors in any period between annual shareholders' meetings to fill vacancies created by an increase in the number of authorized directors, subject to and in the manner provided in the Restated Articles of Incorporation, by the affirmative vote of a majority of the directors.

(d) If the board of directors accepts the resignation of a director tendered to take effect at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 5. REMOVAL OF DIRECTORS

Removal of directors shall be effected only by a vote of the shareholders entitled to vote thereon, as limited by and in the manner set forth in the Restated Articles of Incorporation.

Section 6. MEETINGS

(a) Meetings of the board of directors shall be held at such place as may be designated from time to time by the board of directors or other person calling the meeting.

(b) Annual meetings of the board of directors shall be held without notice immediately following the adjournment of the annual meetings of the shareholders.

(c) Special meetings of the board of directors for any purpose or purposes may be called at any time by the Chairman of the Board, the President, the Executive Vice President or a majority of directors.

Section 7. NOTICE OF SPECIAL MEETINGS

(a) Notice of the time and place of special meetings shall be given orally or delivered in writing personally or by mail or telegram at least 24 hours before the meeting. Notice shall be sufficient if actually received at the required time or if mailed or telegraphed not less than 48 hours before the meeting from the place where the corporation's principal place of business is located. Notice mailed or telegraphed shall be directed to the address shown on the corporate records or to the director's actual address ascertained by the person giving the notice.

(b) Notice of the time and place of holding an adjourned meeting need not be given if such time and place is fixed at the meeting adjourned.

(c) Attendance of a director at a meeting shall constitute a waiver of notice of such meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 8. QUORUM AND VOTE

(a) A majority of the directors shall constitute a quorum for the transaction of business. A minority of the directors, in the absence of a quorum, may adjourn from time to time but may not transact any business.

(b) The action of a majority of the directors present at any time at which there is a quorum shall be the act of the board of directors.

Section 9. EXECUTIVE COMMITTEE

The Board of Directors may appoint an executive committee of two or more persons from among its members. When appointed, the executive committee shall have the power to exercise all authority of the Board of Directors except as may be expressly limited by the Oregon Business Corporation Act. Committee members shall hold office at the pleasure of the Board of Directors. All action of the executive committee shall be reflected in minutes to be kept of such meetings and reported to the Board of Directors at the next succeeding meeting thereof. Meetings of the executive committee shall be called upon the request of any member thereof upon giving notice to the other members of the Committee in the manner provided for giving notice of special meetings of the Board of Directors. A majority of its members shall constitute a quorum, and a majority of the quorum shall be required to effect any action by the executive committee.

ARTICLE IV
OFFICERS

Section 1. DESIGNATION: ELECTION: QUALIFICATION (Adopted on September 15, 1983)

(a) The officers shall be a Chairman of the Board and/or Chief Executive Officer, a President, and/or Chief Operating Officer, a Deputy Chairman of the Board, and subordinate officers as the board of directors shall from time to time appoint, none of whom need be members of the board of directors. The officers shall be elected by and hold office at the pleasure of the board of directors. Any two offices may be held by the same person except the offices of President and Secretary.

(b) A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in the bylaws for regular appointments to such office.

Section 2. COMPENSATION AND TERM OF OFFICE

(a) The compensation and term of office of all the officers of the corporation shall be fixed by the board of directors.

(b) Any officer may be removed, either with or without cause, by action of the board of directors.

(c) Any officer may resign at any time by giving written notice to the board of directors, the president or the secretary of the corporation. Any such resignation shall take effect upon receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective, provided that the board of directors may reject any post-dated resignation by notice in writing to the resigning director.

(d) This section shall not affect the rights of the corporation or any officer under any express contract of employment.

Section 3. CHAIRMAN OF THE BOARD

The Chairman of the Board, and in his absence, the Vice-Chairman of the Board, if and when such positions are filled by appointment by the Board, shall preside at all meetings of the board of directors and at meetings of the shareholders. If no such appointments are made, such duties shall be performed by the President.

Section 4. PRESIDENT

The President shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and affairs of the corporation. In the absence of the Chairman of the Board, he shall preside at all meetings of the shareholders and of the board of directors. He shall be ex-officio a member of all the standing committees, including the executive committee, if any, shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or the bylaws.

Section 5. EXECUTIVE VICE PRESIDENT

The Executive Vice President shall be the second ranking executive officer of the corporation and shall have the general duties of management usually vested with such a position. In the absence or disability of the President and the Executive Vice President, the President's duties and powers shall be performed and exercised by the senior vice president as designated by the board of directors.

Section 7. SECRETARY

(a) The Secretary shall keep or cause to be kept at the principal office, or such other place as the board of directors may order, a book of minutes of all meetings of directors and shareholders showing the time and place of the meeting, whether it was regular or special, and if special how authorized, the notice given, the names of those present at directors meetings, the number of shares present or represented at shareholders' meetings and the proceedings thereof.

(b) The Secretary shall keep or cause to be kept at the principal office or at the office of the corporation's transfer agent, a share register or a duplicate share register showing the name of the shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for such shares and the number and date of cancellation of certificates surrendered for cancellation.

(c) The Secretary shall give or cause to be given such notice of the meetings of the shareholders and of the board of directors as is required by the bylaws. He shall keep the seal of the corporation and affix it to all documents requiring a seal, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or the bylaws.

Section 8. TREASURER

The Treasurer, if any, shall be responsible for the funds of the corporation and shall pay them out only on the check of the corporation signed in the manner authorized by the board of directors.

Section 9. ASSISTANTS

The board of directors may appoint or authorize the appointment of assistants to the secretary or treasurer or both. Such assistants may exercise the power of the secretary or treasurer, as the case may be, and shall perform such duties as are prescribed by the board of directors.

ARTICLE V
COMMITTEES

Section 1. EXECUTIVE AND OTHER COMMITTEES

The board of directors, in addition to appointing an executive committee as heretofore authorized, may appoint such other committees as may be necessary from time to time, consisting of such number of its members and having such powers as it may designate. Such committees shall hold office at the pleasure of the board of directors.

Section 2. AUDIT COMMITTEE

An audit committee of the corporation, composed of at least two members of the board of directors and at least one of whom shall not be an officer of the corporation, shall be appointed at the annual meeting of the board of directors. Each member of the committee shall serve until the next annual meeting of the board of directors and the due appointment and qualification of his or her successor. Directors who are appointed to the audit committee shall be free of any relationship that, in the opinion of the board of directors, would interfere with the exercise of independent judgment as a committee member. Any vacancy in the audit committee shall be filled by a majority vote of the board of directors. A majority of the members shall constitute a quorum and a majority of the quorum shall be required to adopt or approve any matters.

(a) The audit committee shall have the authority to:

(i) review and make recommendations to the board of directors with respect to the engagement or discharge of the

corporations' independent auditors and the terms of the engagement, including the cost, scope and timing of the audit, and any other services to be provided by the independent auditors;

(ii) review the independence of the independent auditors;

(iii) review and approve each material professional service provided by the independent auditors prior to the performance of such service;

(iv) review the policies and procedures of the corporation and management with respect to maintaining the corporation's books and records and furnishing the information necessary to the independent auditors to enable a timely, full and accurate presentation of the corporation's financial statement for the fiscal year;

(v) review procedures to encourage access to the committee and facilitate the timely reporting during the year by the corporation's independent auditors to the committee of their recommendations and advice with respect to maintenance of the corporation's books, records and accounts and accounting procedures and controls;

(vi) review the implementation by management of the recommendations made by the independent auditors in their annual management letter, if any;

(vii) review the adequacy and implementation of the corporation's internal auditing, accounting and financial controls, and meet with the corporation's internal auditor and financial staff to discuss internal accounting and auditing controls and the implementation of recommendations for the improvement therefor;

(viii) review, with the independent auditors, upon completion of their audit, the results of the auditing engagements, their opinion of the corporation's financial and accounting personnel, the cooperation received during the audit, methods to improve the efficiency and quality of the audit, significant proposed adjustments, any material changes in accounting principles and practices, and any other recommendations the auditors may have with respect to the corporation's financial, accounting or auditing systems;

(ix) review the corporation's policies concerning business practices, and direct and supervise investigations relating to the corporation's records and accounts; and

(x) review such other matters relating to the corporation's financial affairs and accounts, communications to the public and to shareholders and filings with governmental agencies as the committee may, in its own discretion, deem desirable.

(b) The audit committee is authorized to employ such experts and personnel, including those who are already employed or engaged by the corporation, as the committee may deem to be reasonably necessary to enable the committee to ably perform its duties and satisfy its responsibilities.

Section 3. COMPENSATION COMMITTEE

There shall be a Compensation Committee of the Board of Directors which shall serve at the pleasure of the Board of Directors and be subject to its control. The Committee shall have the following membership and powers:

(a) The Committee shall be composed of at least three (3) members. All members of the Committee shall be Independent Outside Directors.

(b) The Committee shall recommend to the Board of Directors for its action the amount to be appropriated for awards to be made each year to participants under the Corporation's Incentive Compensation Plan.

(c) The Committee shall review the Corporation's annual performance objectives under the Corporation's applicable incentive compensation plans.

(d) The Committee shall review and make recommendations to the Board of Directors for its final action with respect to the remuneration arrangements for directors and the base salary of all elected corporate officers together with all other employees receiving a base salary in an amount as shall be determined from time to time either by the Committee or by the Board of Directors.

(e) The Committee shall review management's recommendations and propose to the Board for final action all awards to be made under any Profit Sharing Plan or other similar benefit plans as may be adopted by the Board of Directors or the shareholders.

(f) The Committee shall review on a continuing basis the Corporation's general compensation policies and practices, fringe benefits and the Corporation's compliance with its various affirmative action plans and programs. The Committee shall also review and recommend to the Board of Directors for its final action all compensation plans in which Corporate officers or directors are eligible to participate.

(g) The Committee shall review from time to time and report to the Board of Directors actions taken by management concerning the Corporation's overall executive structure and the steps being taken to assure the succession of qualified Corporate officers.

(h) The Committee shall have such other duties as may be lawfully delegated to it from time to time by the Board of Directors.

ARTICLE VI

CORPORATE RECORDS AND REPORTS - INSPECTION

Section 1. RECORDS

The corporation shall maintain adequate and correct books, records and accounts of its business and properties. All such books, records and accounts shall be kept at its place of business as fixed by the board of directors from time to time, except as otherwise provided by law.

Section 2. INSPECTION OF BOOKS AND RECORDS

All books, records and accounts of the corporation shall be open to inspection by the shareholders in the manner and to the extent required by law.

Section 3. CERTIFICATION AND INSPECTION OF BYLAWS

The original or a copy of the bylaws and any amendments thereto, certified by the secretary, shall be open to inspection by the shareholders and directors in the manner and to the extent required by law.

Section 4. CHECKS, DRAFTS, ETC.

All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the corporation, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the board of directors.

Section 5. EXECUTION OF DOCUMENTS

The board of directors may, except as otherwise provided in by the bylaws, authorize any officer or agent to enter into any contract or execute any instrument in the name of and on behalf of the corporation. Such authority may be general or confined to specific instances. Unless so authorized by the board of directors, no officer, agent or employee shall have any power or authority to bind the corporation or any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

ARTICLE VII

CERTIFICATES AND TRANSFER OF SHARES

Section 1. CERTIFICATES FOR SHARES

(a) Certificates for shares shall be in such form as the board of directors may designate, shall designate the state law under which the corporation is organized, shall state the name of the record holder of the shares represented thereby, the number of the certificate, the date of issuance, the number of shares and the class of shares for which it is issued, the par value of such shares, if any, or that such shares are without par value. Certificates shall state upon the back of the certificate that the corporation will furnish to any shareholder, upon request and without charge, a full statement of the designations, preferences limitations and relative rights of the

shares of each class authorized to be issued, and, if the corporation is authorized to issue any preferred or special class in series, the variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the board of directors to fix and determine the relative rights and preferences of subsequent series. Any certificate for shares of Common Stock which may, in accordance with the Restated Articles of Incorporation, have any limitation on voting rights shall contain a statement on the back of the certificate to that effect.

(b) Every certificate for shares must be signed by the Chairman of the Board or the President or any vice president and the secretary or an assistant secretary, or if the certificate is countersigned by a transfer agent or registered by a registrar other than the corporation itself or an employee of the corporation, may be authenticated by facsimiles of the signatures of such officers.

Section 2. TRANSFER ON THE BOOKS

Upon surrender to the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. LOST, STOLEN OR DESTROYED CERTIFICATES

In the event a certificate is represented to be lost, stolen or destroyed, a new certificate shall be issued in place thereof upon such proof of the loss, theft or destruction and upon the giving of such bond or other security as may be required by the board of directors.

Section 4. TRANSFER AGENTS AND REGISTRARS

The board of directors may from time to time appoint one or more transfer agents and one or more registrars for the shares of the corporation, who shall have such powers and duties as the board of directors shall specify.

Section 5. CLOSING STOCK TRANSFER BOOKS

The board of directors may close the transfer books for a period not exceeding 50 days nor less than 10 days preceding any annual or special meeting of the shareholders or the day appointed for the payment of a dividend.

ARTICLE VIII
GENERAL PROVISIONS

Section 1. SEAL

The corporate seal shall be circular in form and shall have inscribed thereon the name of the corporation and the state of its incorporation.

Section 2. AMENDMENT OF BYLAWS

(a) Except as otherwise provided by law, the board of directors may amend or repeal these bylaws or adopt new bylaws.

(b) Whenever an amendment or new bylaw is adopted, it shall be placed in the minute book with the original bylaws in the appropriate place. If any bylaw is repealed, the fact of repeal and the date on which the repeal occurred shall be stated in such book and place.

Section 3. WAIVER OF NOTICE

Whenever any notice to any shareholder or director is required by law, the Restated Articles of Incorporation or the bylaws, a waiver of notice in writing signed at any time by the person entitled to notice, shall be equivalent to the giving of the notice.

Section 4. ACTION WITHOUT A MEETING

Any action which the law, the Restated Articles of Incorporation or bylaws require or permit the shareholders or directors to take at a meeting may be taken without a meeting if a consent in writing setting forth the actions so taken is signed by all of the shareholders or directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the shareholders or directors, shall be filed in the records of minutes of the corporation.

ARTICLE IX

(Adopted on September 29, 1982)

INDEMNIFICATION

Section 1. GENERAL

Any person may, in accordance with Sections 3 and 4, be indemnified by this corporation against any liability and reasonable expense incurred by him in connection with any action in which he may be involved as a party or otherwise by reason of his having been a director, officer, or employee.

Section 2. DEFINITIONS

(a) A "person" includes a legal representative or heirs of a deceased or incompetent person.

(b) "Liability" includes fines and penalties, and amounts paid or incurred in settlement of an action or in satisfaction of a judgment, including expenses and attorneys' fees, except that in the instance of a judgment in favor of this corporation, a wholly-owned subsidiary, or another enterprise, indemnification against liability in derivative actions shall be as provided in Section 3 hereof.

(c) Expense shall be deemed "reasonable" to the extent the board of directors approves the purpose and the amount thereof.

(d) "Director, officer or employee" includes persons who hold such positions in this corporation or in a wholly-owned subsidiary, or hold, at the request of this corporation, an equivalent position in another enterprise. A person who holds office as a director, officer or employee in a corporation more than 50% of the voting stock of which is owned by this corporation shall be presumed to be acting as such at the request of this corporation. In the instance of any other enterprise such presumption shall not arise unless a person shall so act upon the written request of an officer of this corporation authorized by resolution of the board of directors of this corporation. The rights granted by this article shall apply whether or not he continues to be a director, officer or employee at the time such liability or expense is incurred.

(e) "Action" includes any claim, suit, proceeding, or appeal whether brought by or in the right of this corporation, a wholly-owned subsidiary or the other enterprise or otherwise and of whatever nature, whether civil, criminal, administrative or investigative, and includes threatened, pending or completed action of such a nature.

Section 3. DERIVATIVE ACTIONS

In the case of an action brought by or in the right of this corporation, a wholly-owned subsidiary or the other enterprise, as the case may be, to procure a judgment in its favor,

(a) to the extent a person has been successful on the merits or otherwise he shall be indemnified as of right;

(b) no person who has been adjudged to be liable for negligence or misconduct in the performance of his duty to this corporation, a wholly-owned subsidiary or the other enterprise, as the case may be, shall be indemnified unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnity for such liability which such court shall deem proper; and

(c) any other person who was a party to such action other than a person described in 3(a) or 3(b) shall be indemnified, if the board of directors, acting by a quorum consisting of directors not having an interest in the action, determines that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of this corporation, a wholly-owned subsidiary, or other enterprise, as the case may be, and has not been guilty of negligence or misconduct in the performance of his duty to this corporation, a wholly-owned subsidiary or the other enterprise, as the case may be.

Section 4. OTHER ACTION

In the case of an action other than one described in Section 3,

(a) to the extent a person has been successful on the merits or otherwise he shall be indemnified as of right; and

(b) any other person who was a party to such action other than a person described in 4(a) shall be indemnified if the board of directors, acting by a quorum consisting of directors not having an interest in the action determines:

(i) that such person was acting in good faith in a manner which he reasonably believed to be in or not opposed to the best interests of this corporation, a wholly-owned subsidiary or the other enterprise, as the case may be, and

(ii) in any criminal action or proceeding, that such person had no reasonable cause to believe that his conduct was unlawful.

The termination of any action by judgment, order, settlement (with or without court approval), conviction or upon plea of guilty or of nolo contendere, or its equivalent, shall not of itself create a presumption that such person did not meet the standards of conduct set forth in this Section 4.

Section 5. FAILURE OF QUORUMS

If the board of directors is unable to approve indemnification pursuant to Sections 3 or 4 hereof because there is not a quorum of directors who do not have an interest in the action out of which the claim of indemnification arose, the remaining directors, regardless of number, shall designate independent legal counsel to review the conduct of persons claiming indemnification. If independent legal counsel determines in a written opinion that a person meets the applicable standards of conduct as set forth in Sections 3 and 4, such person shall be indemnified as of right.

Section 6. DETERMINATION BY COURT

If the court in which any action, suit or proceeding is or was pending, upon application by this corporation or the agent, attorney or other person rendering services in connection with the defense, whether or not the corporation opposes the application by the attorney, agent or other person, determines that a person meets the applicable standards of conduct as set forth in Sections 3 and 4, such person shall be indemnified as of right.

Section 7. EXPENSES

Expenses incurred with respect to any action of the character described in Section 1 may be advanced by this corporation prior to the final disposition thereof upon receipt of an undertaking by or on behalf of the director, officer or employee to repay such amount unless he shall ultimately be indemnified under this article.

Section 8. CUMULATIVE EFFECT

The rights of indemnification provided in this article shall be in addition to any rights to which any rights to which any such person may otherwise be entitled under any articles of incorporation, bylaw, agreement, statute, vote of shareholders or disinterested directors or otherwise at the time of incurring or becoming subject to such liability and expense, and are not intended as the exclusive means by which the corporation may seek to protect a person against liability and reasonable expense incurred in connection with his having been a director, officer or employee of the corporation.

NIKE, INC.
1984 ANNUAL REPORT

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NIKE is the leader in the
variety of military equipment and
competitive and economic
NIKE Department of Defense
industry through military equipment
innovation, and military equipment

HIGHLIGHTS

SELECTED FINANCIAL DATA

	1984	1983	1982	1981	1980
	(in thousands, except per share data)				
Year Ended May 31:					
Revenues	\$919,806	\$867,212	\$693,582	\$457,742	\$269,775
Net income	40,690	57,004	49,036	25,955	12,505
% of sales	4.4	6.6	7.1	5.7	4.6
Per common share	1.07	1.53	1.37	.76	.39
Cash dividends declared per common share	.20	—	—	—	—
Increase in working capital	24,476	97,701	37,483	45,063	16,358
At May 31:					
Working capital	\$234,347	\$209,871	\$112,170	\$ 74,687	\$ 29,624
Total assets	559,159	508,028	375,473	230,289	134,615
Long-term debt	8,823	10,503	9,086	8,611	11,268
Redeemable Preferred Stock	300	300	300	300	300
Common shareholders' equity	274,536	240,613	131,960	83,021	28,756

MARKET PRICES OF COMMON SHARES

The Company's Class B Common Stock is traded in the NASDAQ National Market System under the NASDAQ symbol NIKE. The high and low prices listed reflect actual prices at which the Company's stock traded during the fiscal years ended May 31, 1984 and May 31, 1983. All prices have been adjusted for a 2-for-1 stock split effected in the form of a 100% stock dividend distributed January 5, 1983. At year end there were twenty-two security dealers making a market in the stock and there were approximately 6,800 shareholders of record.

Quarter Ended		
1984	High	Low
May 31, 1984	12 1/2	9 5/8
February 28, 1984	16 3/8	11 1/4
November 30, 1983	18 3/4	14 3/4
August 31, 1983	20	15 1/2
1983	High	Low
May 31, 1983	21 3/8	15 1/8
February 28, 1983	28	15 3/4
November 30, 1982	27 1/8	20
August 31, 1982	20 1/8	14 3/4

QUARTERLY FINANCIAL DATA

	Quarter Ended			
	May 31	February 28	November 30	August 31
Year Ended May 31, 1984:	(in thousands, except per share data)			
Revenues	\$256,706	\$223,996	\$168,904	\$270,200
Gross profit	62,407	59,854	48,799	90,197
Net income	5,961	6,403	5,646	22,680
Net income per common share	.16	.17	.15	.60
Year Ended May 31, 1983:				
Revenues	\$222,863	\$199,249	\$188,402	\$256,698
Gross profit	74,101	58,417	60,641	84,067
Net income	14,948	9,335	12,127	20,594
Net income per common share	.39	.25	.33	.58

TO OUR SHAREHOLDERS:

Orwell was right: 1984 was a tough year. After a decade of increasing sales and earnings, we saw our net income drop 29 percent.

Several factors affected us. Most significantly, our domestic footwear market is changing, edging away from athletic looks to a renewed demand for fashion and traditional styles. These changes resulted in inventory valuation losses over three times greater than in 1983.

But like many of our athletes who have faced adversity and won, we are fighting back.

We reduced our domestic footwear inventory from 22 million to 17 million pair, while increasing inventory in the faster growing Apparel and International divisions. Although our total inventory level remains at approximately the same overall level as last year, the composition has changed favorably.

Our Apparel and International divisions continued to show good progress. Apparel revenues were up 13 percent for the year — to \$122 million — and our first-ever apparel Futures program has been well-received by our retailers. The performance of International was the brightest spot of the whole Company. Foreign revenues were up 70 percent to \$158 million, and the division showed a substantial profit.

The results of these divisions confirm our long-held position that our greatest asset is the NIKE trademark, which is increasingly taking its place as one of the great marks of the world. We find this reassuring, because it is from this base that we attack the challenges facing us.

We introduced an innovative marketing program — the Cities Campaign — in Los Angeles last fall and carried it in the spring to Dallas, Atlanta, Minneapolis, Seattle, Washington D.C., Denver, St. Louis, and New York. For the first time we attacked markets with the full NIKE arsenal — a coordinated product, advertising, and merchandising package geared to each level of our business. We believe that this focused approach not only is more effective than a generalized national campaign but also gives us the capability to better measure what does and does not work.

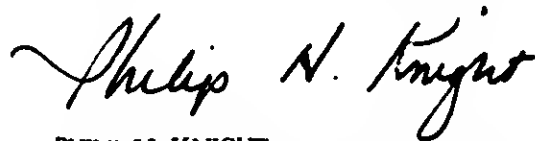
To take advantage of the opportunities in the changing American market, we introduced our first casual shoes — our "Freestyle" line — in 1984. Here we are taking what we stand for — sport — into versatile, fun and exciting directions, rather than imitating others or moving into areas where we have little competitive advantage.

Our financial position has never been stronger. We are approaching \$300 million in equity with an improving debt-to-equity ratio. Reflecting this strength, we began paying quarterly dividends this year.

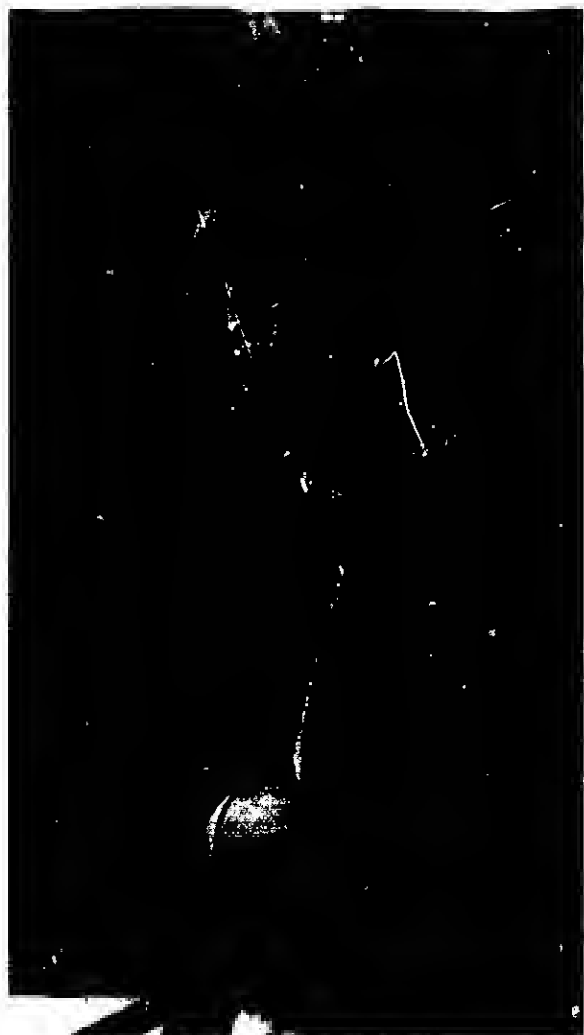
Internally, we made several management changes designed to help us tackle the complexities of managing a billion dollar corporation and respond more quickly to market shifts. In addition I am in agreement with the professor from the Harvard Business School who said recently, "NIKE has enormous strength in the quality of its people."

This is a difficult and challenging time for NIKE. Yet in fiscal year 1984 we made over \$40 million in net income, which represents a 16 percent return on equity. There are many companies that would thankfully accept that performance. NIKE is not one of them.

We are not satisfied with our 1984 results. We believe we can and will do better.



PHILIP H. KNIGHT
Chairman of the Board
and Chief Executive Officer



NIKE 1984

From NIKE's earliest days, our focus has been on athletes — their lives, their needs, their dreams. As these competitors have grown and changed, so has NIKE grown and changed. In 1984, an Olympic year, our focus remains on athletes. By providing the best products to the world's best athletes, NIKE has developed a vast, world-wide, consumer following. By responding to lifestyle changes, from the fields of competition to the street, NIKE continues to be the leader in the athletic footwear and apparel industry. From the world of competitive sports comes the inspiration and authenticity that characterizes the programs to which those associated with NIKE dedicate themselves. Like the many athletes who wear NIKE shoes and apparel, NIKE will never stop competing. And winning.

In the summer of 1977, NIKE co-founder Philip Knight reviewed a field of 128 of the world's finest tennis competitors for players to promote the NIKE tennis line. He found a remarkable 18 year old named John McEnroe.

Since his first appearance at Wimbledon, John McEnroe has steadily stolen the spotlight in world tennis. From his days at Stanford, when he led his team to the national championship, through his victories in major tournaments around the world, no single player has stamped the game with the force of his spirit and the dynamism of his play like McEnroe.

Nonetheless, even from his college years, McEnroe has had his share of injuries. Recurring ankle sprains hurt his performance. Time and again he had been forced to forego competition because of this persistent condition. Never had a full year gone by without injury.

However, in the fall of 1982, based upon the recommendation of a sports physiologist, McEnroe began wearing NIKE's ¾-high racquet shoe, the Challenge Court. For almost two years McEnroe has remained injury-free. He has not missed a single game due to ankle problems.

NIKE makes shoes for competitors. All else flows from that. This year's new tennis line features what we regard as the finest, all-around, competitive shoe ever developed, the Enterprise.

The Enterprise is a "tennis player's tennis shoe." It is the culmination of more than two years of research and experimentation, which brought together a team of medical and design specialists. Also included was an advisory panel of players and coaches intent on incorporating into one shoe all of the qualities — flexibility, adjustability, traction, durability, lightweight, stability and fit — demanded on the court.

The Enterprise tennis shoe has a full-length, Air-Sole cushioning system, with an asymmetrical upper pattern combining both breathable mesh and sturdy leather in an arrangement highlighting the properties of each.

The new Epic model is to running as the Enterprise is to tennis. Incorporated in the design of the Epic is a combination of materials which optimizes properties traditionally at odds in a running shoe — stability and cushioning.

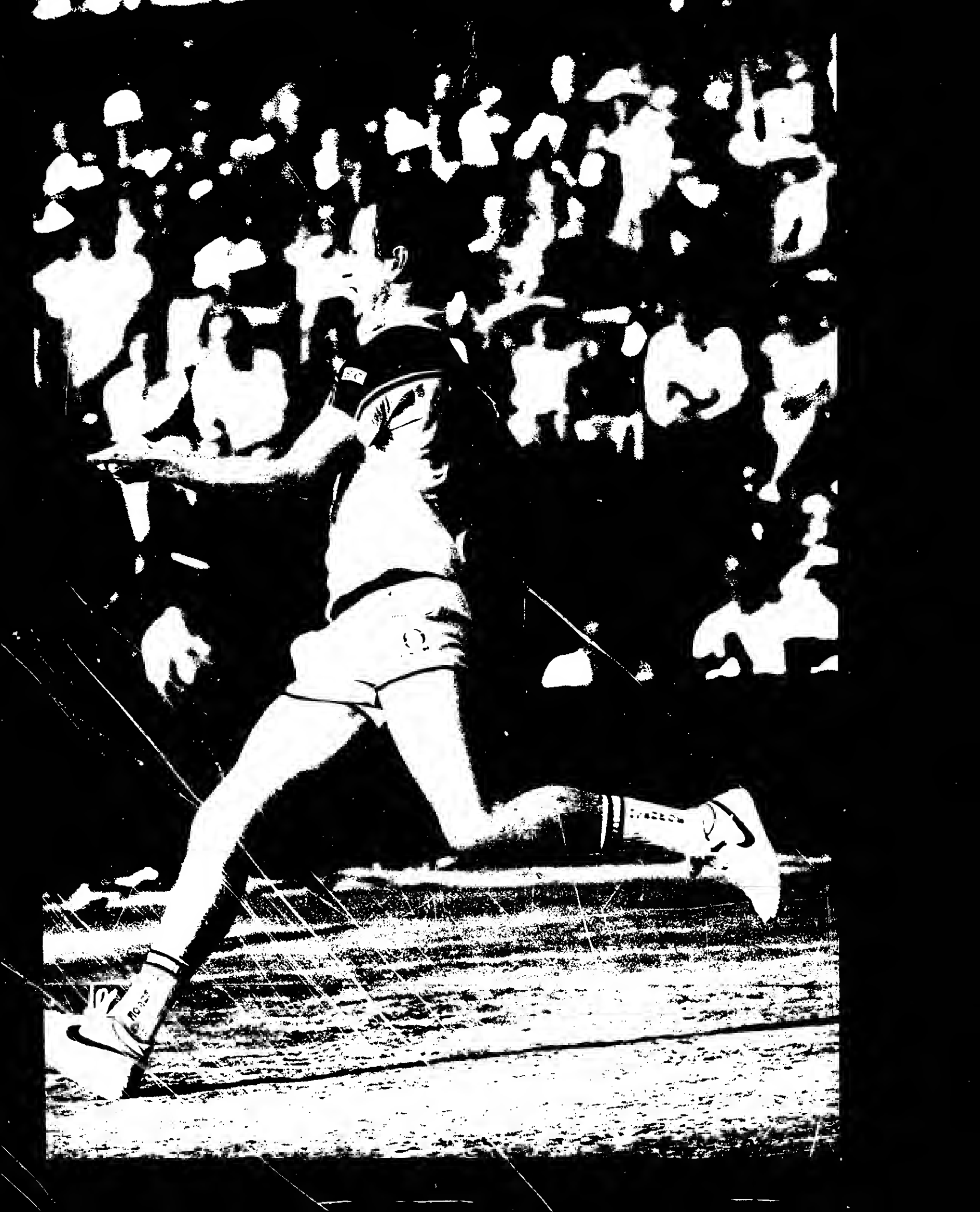
The key, a breakthrough by NIKE's Air Research Laboratory, is an extremely thin, full-length, NIKE-Air midsole unit encapsulated in polyurethane, the most durable midsole material in existence. This new design allows the unparalleled cushioning benefits of NIKE-Air technology without sacrificing stability.

Another technological breakthrough is at work in the Air Ship model. It is the first basketball shoe to employ the new "pillar" cushioning system. The pillars, small, upright, cylindrical, shock-absorbing projections spaced a few millimeters apart, are built into the midsole unit. In the Air Ship, the pillar system is used in the forefoot, while the more traditional Air Wedge is used in the rear.

This combination design makes the Air Ship more flexible and lighter than NIKE's popular Air Force I, a basketball shoe that employs a full-length NIKE-Air cushioning system. Consequently, the Air Ship promises to have a major impact in the sport from the professional and collegiate ranks to the extensive consumer market.

The application of NIKE-Air technology to children's shoes is also off and running with the Airborne. In addition to a full-length air midsole unit, the shoe contains many features found primarily in highly technical models. The youth running market is important,





making the Airborne's introduction inseparable from NIKE's traditional commitment to the sport of running at all levels of competition.

On her way to capturing more current indoor and outdoor world records in women's running events from the 800 meters to the 10,000 meters than any other single individual, Mary Decker has passed through the heartaches and frustrations of growth and transformation, as has NIKE.

Decker received her first pair of shoes from NIKE as a high school student of 15. The same year, she competed against the Russians and set three indoor world records.

That year, 1973, NIKE was also a youngster, less than two years old. Our retail stores were hangouts for athletes. Store managers were ambassadors to the running community, handing out advice, support and the unheralded shoes with the Swoosh design to promising competitors.

It was grassroots promotions without fanfare. NIKE dispensed some free footwear and a lot of goodwill and concern.

As the years passed, the bond between Mary Decker and NIKE continued to strengthen even when pain forced her to stop running completely in 1974 and, in the uncertainty that followed, miss the Montreal Olympic Games.

During Decker's college years, NIKE personnel lent their support and worked with Mary when she was forced to undergo an experimental surgical procedure to relieve the pain in her shins, again stalling her progress. Her career reborn, Decker





in 1979 became the first woman member of Athletics West, NIKE's post-graduate training facility for world-class athletes.

NIKE's early grassroots approach to athletes was the basis for the formation of a special promotional group in 1981. The project established, in cities from coast to coast, a network of technical field representatives designed to strengthen the relationship between NIKE and its products, and the athletic community. The original five representatives were so successful that NIKE has increased the number to 21, with a support staff of nine. Like the store managers of old, they give shoe and training clinics to scholastic and club teams, and work directly with retail salespeople on product information.

Tennis, soccer and other sports are also emphasized, as technical representatives work with coaches and retailers at clinics and promotional tournaments. These specialists are constantly on the road, assisted with appearances by NIKE promotional athletes, explaining shoe development to high school students, setting up product displays and meeting the public at trade shows and athletic exhibits.

It is a small wonder these technical representatives constitute one of NIKE's most successful programs. Out in the field they see the actual needs of the athlete and the consumer and function as the Company's eyes and ears.

For years, Alberto Salazar could do no wrong. A standout at the University of Oregon, he established American records on the track in the 5,000 and 10,000 meter runs. When he began road racing, he set the American 10,000 meter

record. He won the New York marathon three years in a row — in 1981 predicting a new world record and then bettering the record which had existed for 12 years. More than once he ran himself to the point of physical peril. Based upon his marathon performances, Salazar became a national hero.

Then, suddenly, Salazar could not do anything right. In 1983, he finished fifth in the Rotterdam Marathon. He placed last in the 10,000 meter run at the World Championship meet in Helsinki, Finland, and fifth at a key international marathon in Fukuoka, Japan. Some people said Alberto was finished, that he had obsessively overtrained and that he was burned out. He was told he took running too seriously. Refusing to quit, he qualified to run the marathon as a member of the 1984 United States Olympic team.

Salazar's commitment to excellence, his "whatever it takes to win" attitude stands behind the new line of recently developed running apparel that bears his signature.

In putting together the Salazar line, designers placed no cost limits on the selection of fabrics or manufacturing processes. The only criterion was its suitability for the high-performance runner.

The result is 13 garments, ranging from t-shirt and socks to an Olympic-gold Gore-Tex rainsuit made from an exclusive, three-part, rain-shedding fabric.

Designed and cut for the elite runner, the Salazar line is clearly not for everyone. Yet it provides world-class athletes with the ultimate in functional, high-performance athletic clothing and it exemplifies NIKE's position as the leader in authentic sportswear.

ALBERTO SALAZAR





In 1984, the Apparel Division was reorganized and expanded to respond to the demands of the market. Five distinct merchandising groups were created — NIKE Tech, NIKE Sport, NIKE Sportswear, NIKE Accessories and NIKE Make-up.

The fundamental touchstone, functional authenticity, as exemplified by the Salazar line, remains the basis for design and merchandising. The Tech line will produce garments for the top competitors based on the latest in fabric, design and research concepts. Functional sports apparel, the heart of the Sport line and inspired by Tech developments, will cater to competitors on all levels in a broad range of sports. And the hottest looks in sports-influenced street trends will emerge in the fashion-oriented apparel of the Sportswear line. NIKE Make-ups will provide specific products for major retailers, while NIKE Accessories includes bags, socks and hats, among other products.

The very successful Futures ordering program NIKE pioneered in its footwear operations was introduced to harmonize apparel sales and production cycles. Other developments, such as the opening of a new regional sales office to service accounts in the eastern United States and the institution of a sales representative training program demonstrate that NIKE's Apparel Division is positioned to duplicate our success in athletic shoes.

Junior high school student Carl Lewis, once said, "My first jump was a joke... nine feet even. But I said to myself, 'Don't give up.' In high school, I kept coming in second. I could have

CARL LEWIS





called it quits. But I believe you should never give up. When that's your philosophy, there's no telling how far you can go."

The long jump is only one of four events in which Lewis hopes to capture a gold medal at this summer's Olympic Games. And yet, when Lewis soars above the sand at the coliseum, the act will shrink by comparison with a similar effort a few miles away.

Since last November, Carl's likeness has been flying over the Marina Del Ray freeway in Los Angeles. Leaping out of a cloud, his arm and foot suspended into space, the celebrated athlete has been greeting motorists in full-color and larger-than-life size on a billboard looming above the roadway.

Lewis also has been leaping off the screen into thin air in a 30-second television spot, and trimmed in neon, his "foot first" likeness anchors a shoe display designed for NIKE retail outlets. And a full-sized, free-standing cut-out of the talented Olympian has been incorporated in NIKE's Hall of Feet, a traveling, point-of-purchase, shoe and sports-hero museum used in NIKE promotions.

The exciting, powerful images of Lewis, along with those of NIKE Olympians Mary Decker, Alberto Salazar, Joan Benoit, Willie Banks and others have appeared on billboards, buildings and buses from Los Angeles to Minneapolis to Washington, D.C. Athletes wearing NIKE shoes have appeared in television commercials and have made numerous personal appearances as part of the Company's unprecedented Cities Campaign.

NIKE is not an "official" product of the Olympics. Instead, we have invested heavily

in the Cities Campaign, a program designed to generate enduring, consumer interest and forge a strong working alliance between NIKE and key retailers. The campaign was geared to solidify a marketing base upon which we can build in the years ahead.

In New York, Los Angeles, Washington, D.C., Seattle, Atlanta, Minneapolis, St. Louis, Dallas and Denver NIKE created three to four weeks of marketing excitement. There were television and radio ads, fashion shows, road races and clinics, custom promotional and retail merchandise, special in-store displays, the NIKE "Hall of Feet" historical exhibit and personal appearances by top-name NIKE athletes such as Alberto Salazar, Gaylord Perry, Mary Decker, Lester Hayes, Franco Harris and Dan Fouts.

And when Lewis settles into the blocks, Decker leans forward in anticipation of the starter's report, Banks stands summoning his concentration at the head of the runway and dozens of athletes in NIKE shoes from China to Brazil, from Norway to New Zealand, take their places at Los Angeles, NIKE will support their efforts.

NIKE is excited about the opportunity afforded in 1984 to do all it can for the world's top athletes. But by the time they win their championships, many of those athletes will have already done a great deal for NIKE.

This fall, when the Olympics are history, the Cities Campaign will take the NIKE message to Boston, Chicago and Houston, with additional programs in other major cities next spring, to build on the marketing programs begun in this Olympic year.



MARY DECKER TV SPOT



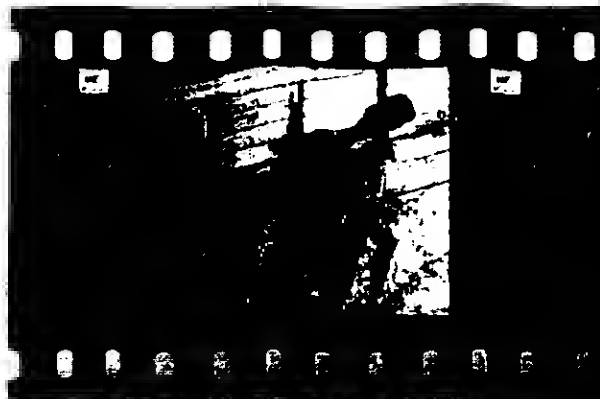
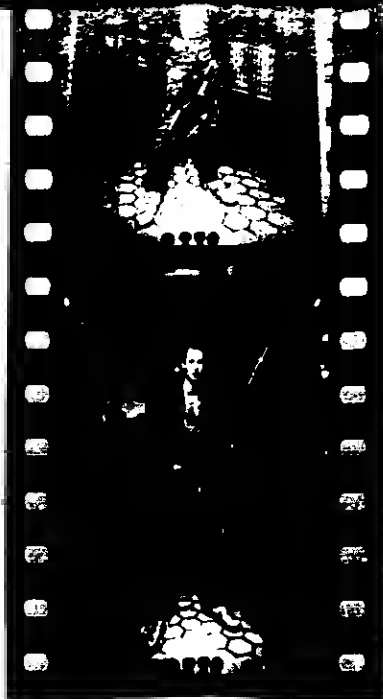
CARL LEWIS BILLBOARD



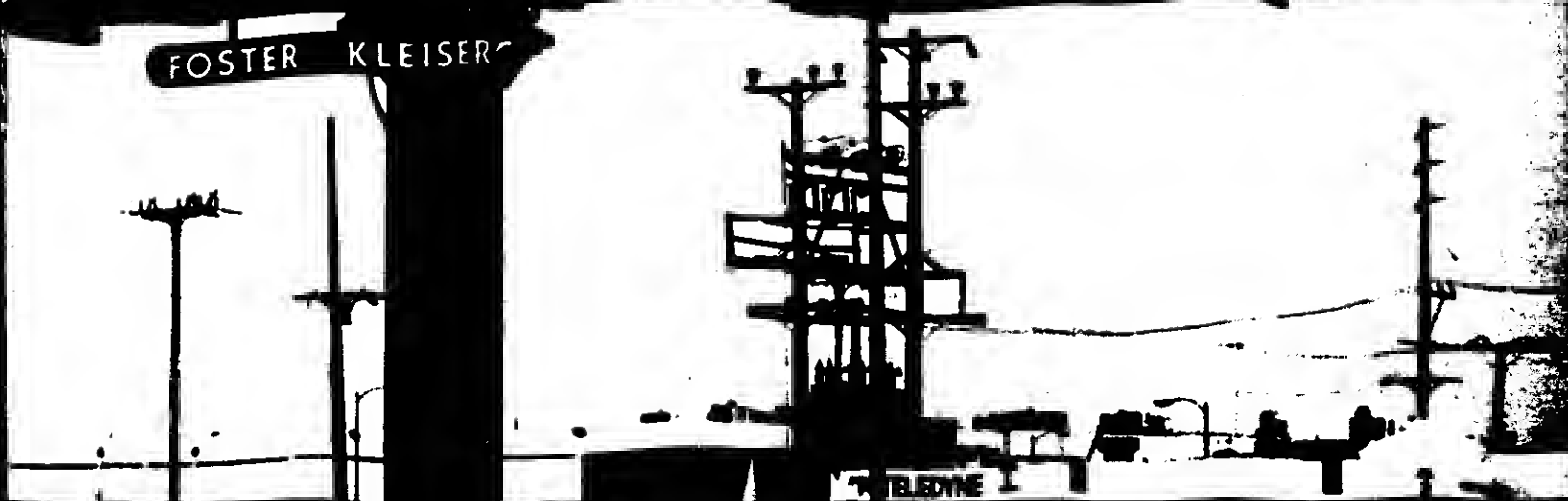
CARL LEWIS T.V. SPOT



MOSES MALONE T.V. SPOT



FOSTER KLEISER



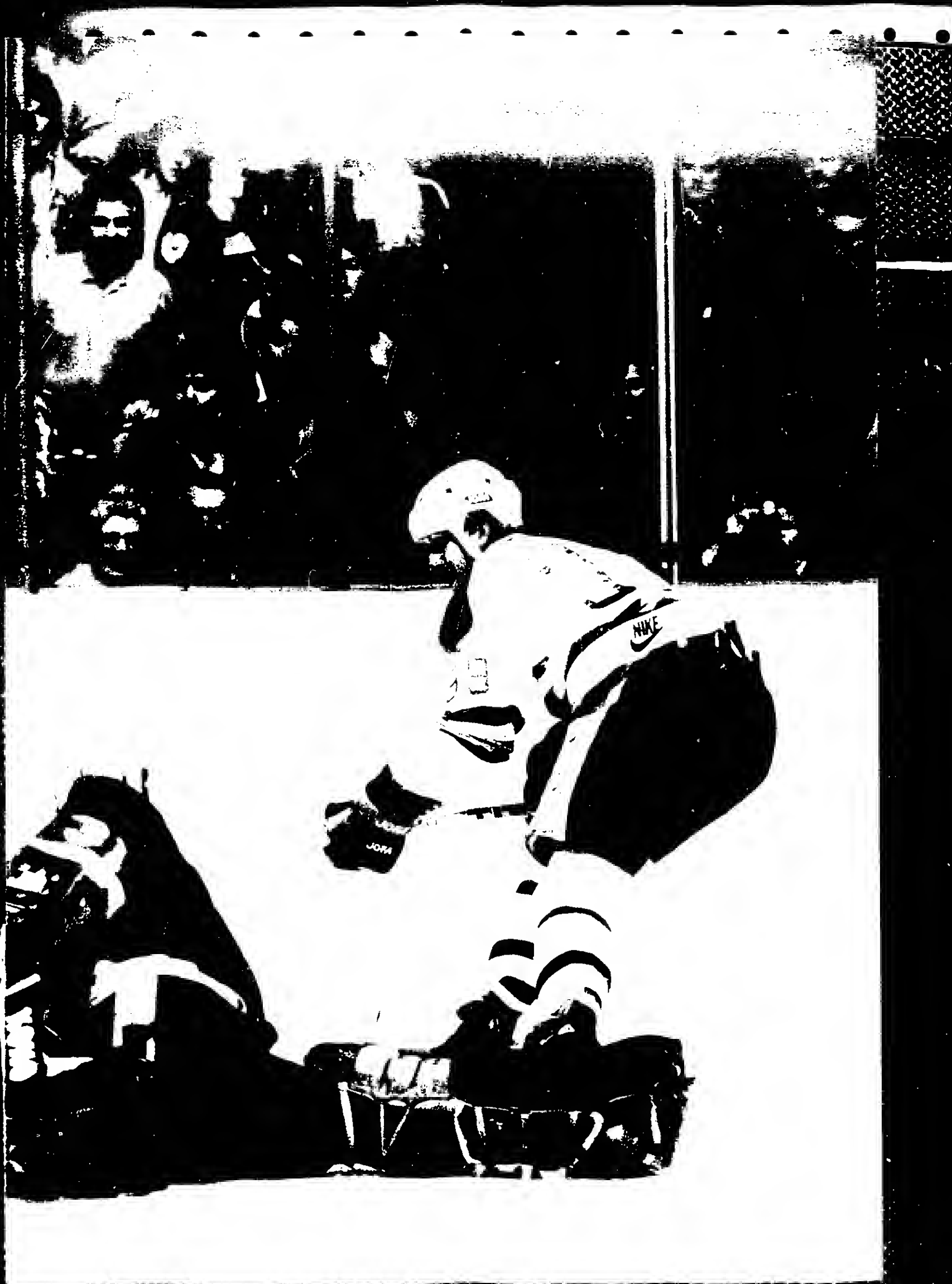
W. BLEYNE

Wayne Gretzky has shown what one individual can accomplish. There is only one country in the world in which the sport of hockey can be considered a national pastime — his native Canada. Yet Gretzky has played so well that his name is recognized throughout the world.

Ever since he was able to stand on skates, Number 99 has been a phenomenon. The greatest offensive force in the history of the game, he has shattered more than 35 league scoring marks, has been selected the National Hockey League's Most Valuable Player in every season of his major league career, was chosen *Sports Illustrated* magazine's "Sportsman of the Year" and in 1984, led the Edmonton Oilers to hockey's greatest prize, the Stanley Cup. Gretzky has so excelled at his sport he has lifted himself to that level of achievement which transcends a specific sport. He has become an international celebrity. And the fact that NIKE does not make hockey skates has not deterred him from enthusiastically endorsing NIKE shoes and apparel as ambassador of his sport and his native Canada.

Canada is now in the spotlight of NIKE's international development. That country, with a consumer market at ease with American sports and lifestyle trends, has long been considered vital to NIKE's global marketing plan. Along with Japan and western Europe, Canada, through the acquisition of NIKE's Canadian distributorship this year, provides another major cornerstone for global growth.

NIKE has also begun to reap rewards for developmental efforts in the western European market. In 1983, only NIKE operations in Britain and Japan,



out of seven Company-owned distributorships, operated profitably. This year, the combined group was profitable with significant improvement in most operations.

NIKE has made some critical inroads in soccer against the decades-old alliances between other athletic shoe manufacturers and sports officialdom. England's top three soccer scorers wore NIKE shoes in 1984. In addition, Nike sponsors the English Rugby Union team and the French Rugby Federation.

The most dramatic advances have grown out of NIKE's preeminent influence in running. And nowhere is this more evident than in Great Britain. Through the steady grassroots promotional efforts of NIKE and its athletes, that nation is riding the crest of a running boom reminiscent of that which swept America in the 1970's.

Athletes like Sebastian Coe, Steve Ovett, David Moorcroft and Steve Cram, all of whom rank as heroes to their countrymen, give people one more reason to buy NIKE shoes. Brand awareness is further enhanced by an energetic advertising campaign.

NIKE-sponsored races have sprung up throughout Britain. A special women's running program sparked interest in the sport among a portion of the populace which had traditionally regarded it as a male province. NIKE youth races drew thousands of youngsters in a single weekend. No other force contributed as much to the burgeoning running movement in Britain as the NIKE distributorship.

Whether it is Gretzky in Canada, Cram in Britain, or Anne Audain in New Zealand,

NIKE's identification with the authentic values of sport is the key ingredient in a growing worldwide success story.

In one of the most dramatic comebacks in sports history, Joan Benoit, women's world record holder in the marathon, recovered from knee surgery in 17 days and fought her way back to not only run, but win the first Women's Olympic Marathon Trials.

The day after her operation, the tough competitor from Maine was exercising on a hand bicycle to maintain her cardiovascular fitness. Five days later she ran for almost an hour. While training hard to recover, she re-injured herself, pulling a muscle 10 days before the Trials. Exactly a week before the race, she literally could not run. Three days and an array of therapies later, she was back on the road. On May 12, 1984, nowhere near her peak form, she won the first pre-Olympic women's marathon, beating her nearest rival by more than half a minute.

During the past year, like most athletes at one time or another, NIKE faced adversity. Some areas of traditional dominance declined and new obstacles were encountered. The taste of reversal was not pleasant, but hardship has strengthened NIKE. We have refined our organization, we are approaching the market in innovative ways and we returned to basics. We did not give up. We will not give up. And, like the best athletes in NIKE shoes, we are going to be victorious.

JOAN BENOIT





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Monterey, California 94028

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Portland, Oregon 97210

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D-6108 Weiterstadt
West Germany

Norway
Hartmansvei 44
Oslo-2
Norway

Sweden
Rastengatan 3
S-171 30 Sundbyberg
Sweden

Springwell Mills, Church Street
Heckmondwike
West Yorkshire
England

NIKE-armed Ship Component Manufacturing Facility

Lot 42, Kalam Industrial Estate
Kalam, South Korea
Kalam

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenues from the sale of NIKE products in fiscal 1984 were \$919,806,000 compared to \$867,212,000 in 1983 and \$693,582,000 in 1982. Net income in fiscal 1984 declined 29% to \$40,690,000 compared to an increase of 16% in 1983.

The decline in 1984 net income was due to a lower gross margin (28.4% in 1984 compared to 32.0% in 1983) and a higher level of selling and administrative expenses (17.8% of revenues in 1984 compared to 15.3% in 1983). The decline in the gross margin was due principally to lower margins on the sale of slow-moving products and writedowns to market value of certain footwear and apparel products. Selling and administrative expenses increased due primarily to increased advertising and promotions and spending on apparel and foreign operations.

These results were offset by a decline in interest expense due to a lower average level of borrowings and lower interest rates. Borrowings were reduced by funds provided from operations.

The 16% increase in 1983 net income compared to 1982 net income was primarily attributable to higher sales volume and an improved gross margin (32.0% in 1983 compared to 31.7% in 1982) offset by a higher level of selling and administrative expenses. The increase in selling and administrative expenses was due principally to increased spending for the establishment and development of foreign operations.

The following discussion reviews operations of the Company in the United States and in other markets during the three years ended May 31, 1984.

United States Operations

The approximate breakdown of revenues from the sale of NIKE products in the United States follows:

	Year Ended May 31,		
	1984	1983	1982
	(in thousands)		
Running	\$240,200	\$267,600	\$236,300
Court:			
Basketball	125,100	122,400	144,400
Racquet	81,400	62,100	58,600
Field Sports	42,200	41,300	13,600
Children's	97,100	120,800	106,100
Leisure	53,600	52,300	21,300
Total footwear	619,600	666,500	580,300
Apparel	121,800	107,400	70,300
	<u>\$761,400</u>	<u>\$773,900</u>	<u>\$650,600</u>

Management believes that declines in the sale of athletic footwear were generally due to decreases in consumer use of athletic shoes for casual wear.

"Futures" orders booked for delivery of footwear from June through November 1984 are at approximately the same level as such orders booked in the comparable period in the prior year. Because the mix of "Futures" and "at once" shipments may vary significantly from quarter to quarter and year to year, "Fu-

tures" orders received are not necessarily indicative of total revenues for subsequent periods.

Foreign Operations

The approximate breakdown of revenues from the sale of NIKE products outside the United States follows:

	Year Ended May 31,		
	1984	1983	1982
	(in thousands)		
Europe	\$ 80,600	\$ 38,000	\$ 17,100
Japan	60,600	40,600	11,100
Other foreign	17,200	14,700	14,800
	<u>\$158,400</u>	<u>\$ 93,300</u>	<u>\$ 43,000</u>

During 1984 Company-owned operations distributed NIKE products in Austria, France, Germany, Japan, Norway, Sweden and Great Britain. Effective April 30, 1984, the Company commenced direct distribution in Canada through the acquisition of the Canadian distributorship. Sales in other foreign markets are made through independent distributors or licensees.

LIQUIDITY AND CAPITAL RESOURCES

Current assets increased \$43,324,000 in 1984 compared to an increase of \$120,024,000 in 1983. Inventories at May 31, 1984 aggregated \$280,630,000, down \$3,158,000 compared to 1983 levels. Due to lower than expected sales of footwear in the United States, the reduction in total inventories was less than anticipated. Management believes it has strengthened controls over footwear inventory purchases. Inventory turns for 1984 were 2.3 compared to 2.4 in 1983 and 2.9 in 1982.

Capital expenditures for 1984 aggregated \$15,224,000 due primarily to purchases in data processing, warehousing, and manufacturing, compared to \$21,031,000 in 1983 and \$18,228,000 in 1982. The 1984 capital expenditures and the increase in current assets were financed from operations and by an increase of \$3,571,000 in short-term borrowings.

NIKE's current ratio for 1984 was 1.85:1, compared to 1.82:1 in 1983 and 1.48:1 in 1982. The ratio of debt to equity at May 31, 1984 was 1:1 compared to 1.1:1 at May 31, 1983 and 1.8:1 at May 31, 1982.

On February 17, 1984, the Board of Directors declared a cash dividend of \$.10 per share on its outstanding Class A Common Stock and Class B Common Stock payable March 23, 1984 to shareholders of record at the close of business on March 2, 1984. On May 17, 1984, the Board declared a second cash dividend of \$.10 per share payable June 22, 1984 to shareholders of record at the close of business on June 1, 1984.

Based upon the Company's currently projected earnings and cash flow requirements, the Company anticipates paying a regular quarterly dividend of \$.10 per share.

Management believes that currently available short-term funds, together with funds generated by operations, will adequately finance 1985 working capital requirements and capital expenditures.

FINANCIAL REPORTING

Management of NIKE, Inc. is responsible for the information and representations contained in this report. The financial statements have been prepared in conformity with the generally accepted accounting principles we considered appropriate in the circumstances and include some amounts based on our best estimates and judgments. Other financial information in this report is consistent with these financial statements.

The Company's accounting systems include controls designed to reasonably assure that assets are safeguarded from unauthorized use or disposition and which provide for the preparation of financial statements in conformity with generally accepted accounting principles. These systems are supplemented by the selection and training of qualified financial personnel and an organizational structure providing for appropriate segregation of duties.

An Internal Audit Department reviews the results of its work with the Audit Committee of the Board of Directors, presently consisting of three directors who are not employees of the Company. The Audit Committee is responsible for recommending to the Board of Directors the appointment of the independent accountants and reviews with the independent accountants, management and the internal audit staff, the scope and results of the annual examination, the effectiveness of the accounting control system and other matters relating to the financial affairs of the Company as they deem appropriate. The independent accountants and the internal auditors have full access to the Committee, with and without the presence of management, to discuss any appropriate matters.

REPORT OF INDEPENDENT ACCOUNTANTS

*To the Board of Directors and
Shareholders of NIKE, Inc.*

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of changes in financial position and of shareholders' equity present fairly the financial position of NIKE, Inc. and its subsidiaries at May 31, 1984 and 1983, and the results of their operations and the changes in their financial position for each of the three years in the period ended May 31, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

*Portland, Oregon
July 24, 1984*

NIKE, INC.

CONSOLIDATED STATEMENT OF INCOME

Year Ended May 31,

	1984	1983	1982
	<i>(in thousands, except per share data)</i>		
Revenues	\$919,806	\$867,212	\$693,582
Costs and expenses:			
Cost of sales	658,549	589,986	473,885
Selling and administrative	163,414	132,400	94,919
Interest (Notes 4 and 5)	19,597	25,646	24,538
Other (income) expense	(175)	1,057	435
	<u>841,315</u>	<u>749,089</u>	<u>593,777</u>
Income before provision for income taxes and minority interest	78,421	118,123	99,805
Provision for income taxes (Note 6)	37,567	60,922	50,589
Income before minority interest	40,854	57,201	49,216
Minority interest	164	197	180
Net income	<u>\$ 40,690</u>	<u>\$ 57,004</u>	<u>\$ 49,036</u>
Net income per common share (Note 1)	<u>\$1.07</u>	<u>\$1.53</u>	<u>\$1.37</u>
Average number of common and common equivalent shares (Note 1)	<u>37,934</u>	<u>37,158</u>	<u>35,708</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

NIKE, INC.

CONSOLIDATED BALANCE SHEET

May 31,

ASSETS

	1984	1983
	(in thousands)	
Current Assets:		
Cash	\$ 8,320	\$ 13,038
Accounts receivable, less allowance for doubtful accounts of \$3,751, respectively	189,412	151,581
Inventories (Notes 1 and 2)	280,630	283,788
Deferred income taxes and purchased tax benefits (Notes 1 and 6)	16,208	10,503
Prepaid expenses	8,034	6,625
Income taxes receivable	6,250	—
Total current assets	508,859	465,535
Property, plant and equipment (Notes 3 and 5)	74,173	61,359
Less accumulated depreciation	31,293	21,628
	42,880	39,731
Other assets (Note 1)	7,420	2,762
	<u>\$559,159</u>	<u>\$508,028</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:		
Current portion of long-term debt (Note 5)	\$ 2,560	\$ 2,347
Notes payable to banks (Note 4)	143,532	132,092
Accounts payable (Note 4)	99,944	91,102
Accrued liabilities	28,476	19,021
Income taxes payable	—	11,102
Total current liabilities	274,512	255,664
Long-term debt (Note 5)	8,823	10,503
Commitments and contingencies (Note 10)	—	—
Minority interest in consolidated subsidiary	988	948
Redeemable Preferred Stock (Note 7)	300	300
Shareholders' equity (Note 8):		
Common Stock at stated value		
Class A convertible — 17,659 and 18,837 shares outstanding	211	225
Class B — 9,612 and 18,434 shares outstanding	2,660	2,646
Capital in excess of stated value	77,457	77,457
Unrealized translation gain	787	70
Retained earnings	193,421	160,215
	<u>274,536</u>	<u>240,613</u>
	<u>\$559,159</u>	<u>\$508,028</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

NIKE, INC.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended May 31.

	1984	1983	1982
	(in thousands)		
Financial resources were provided by:			
Net income	\$40,690	\$57,004	\$49,036
Income charges (credits) not affecting working capital —			
Depreciation	10,632	9,421	5,135
Minority interest	164	197	180
Other	70	(188)	194
Working capital provided by operations	51,556	66,434	54,545
Purchased tax benefits becoming current	1,716	14,270	—
Additions to long-term debt	1,363	4,135	4,477
Disposal of property, plant and equipment	1,186	584	343
Unrealized gain (loss) from translation of statements of foreign operations, including minority interest	787	(311)	(109)
Net proceeds from sale of Class B Common Stock	—	51,442	—
Proceeds from exercise of stock options	—	100	—
Minority shareholder contribution	—	—	648
	<u>\$56,608</u>	<u>136,934</u>	<u>59,904</u>
Financial resources were used for:			
Additions to property, plant and equipment	15,224	21,031	18,228
Dividends — Common and Preferred Stock	7,484	30	30
— minority shareholder	195	—	—
Goodwill	5,439	—	—
Long-term debt becoming current	2,785	2,368	4,002
Additions to other assets	1,005	527	161
Purchase of tax benefits	—	15,277	—
	<u>32,132</u>	<u>39,233</u>	<u>22,421</u>
Increase in working capital	<u>\$24,476</u>	<u>\$97,701</u>	<u>\$37,483</u>

ANALYSIS OF CHANGES IN WORKING CAPITAL

Increase (decrease) in current assets:			
Cash	\$ (4,718)	\$ 8,125	\$ 3,121
Accounts receivable	37,831	21,143	43,202
Inventories	(3,158)	80,971	82,588
Deferred income taxes and purchased tax benefits	5,705	8,358	845
Prepaid expenses	1,414	1,427	2,711
Income taxes receivable	6,250	—	—
	<u>43,324</u>	<u>120,024</u>	<u>132,467</u>
Increase (decrease) in current liabilities:			
Current portion of long-term debt	213	(1,589)	(2,684)
Notes payable to banks	11,440	19,419	51,483
Accounts payable	8,842	17,038	31,572
Accrued liabilities	9,455	(3,873)	7,493
Income taxes payable	(11,102)	(8,672)	7,120
	<u>18,848</u>	<u>22,323</u>	<u>94,984</u>
Increase in working capital	<u>\$24,476</u>	<u>\$97,701</u>	<u>\$37,483</u>

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

NIKE, INC.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Stock				Capital In Excess of Stated Value	Unrealized Translation Gain (Loss)	Retained Earnings	Total
	Class A		Class B					
	Shares	Amount	Shares	Amount	(in thousands)			
Balance at May 31, 1981	13,930	\$194	3,601	\$1,386	\$27,020		\$ 54,421	\$ 83,021
Conversion to Class B Common Stock	(1,954)	(28)	1,954	28				—
Loss on translation of statements of foreign operations						\$ (67)		(67)
Net income — year ended May 31, 1982							49,036	49,036
Dividends on redeemable Preferred Stock							(30)	(30)
Balance at May 31, 1982	11,976	166	5,555	1,414	27,020	(67)	103,427	131,960
Stock options exercised			4	5	95			100
Conversion to Class B Common Stock	(3,043)	(40)	3,043	40				—
Gain on translation of statements of foreign operations						137		137
Sale of Class B Common Stock in a public offering in October 1982 (net of issuance costs of \$175)			1,100	1,100	50,342		(186)	51,442
Stock split 2-for-1	9,904	99	8,732	87			57,004	57,004
Net income — year ended May 31, 1983							(30)	(30)
Dividends on redeemable Preferred Stock								—
Balance at May 31, 1983	18,837	225	18,434	2,646	77,457	70	160,215	240,613
Conversion to Class B Common Stock	(1,178)	(14)	1,178	14				—
Gain on translation of statements of foreign operations						717		717
Net income — year ended May 31, 1984							40,690	40,690
Dividends on redeemable Preferred Stock							(30)	(30)
Dividends on Common Stock							(7,454)	(7,454)
Balance at May 31, 1984	17,659	\$211	19,612	\$2,660	\$77,457	\$ 787	\$193,421	\$274,536

The accompanying Notes to Consolidated Financial Statements are an integral part of this statement.

NIKE, INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Operations and significant accounting policies:

The Company develops and markets athletic footwear and apparel. These products are distributed directly to retailers in the United States, Canada and major European markets and to wholesalers in Japan. The products are also distributed in other markets through independent distributors and licensees. The major portion of the Company's products are manufactured for the Company by foreign contractors and imported through Nisho Iwai American Corporation (NIAC).

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated. To facilitate the timely preparation of the consolidated financial statements, the accounts of certain operations maintained outside North America have been consolidated for fiscal years ending in March or April.

Recognition of revenues

Revenues recognized include sales by the Company plus fees earned on sales by licensees.

Inventory valuation

Inventories are recorded at the lower of cost, last-in first-out (LIFO), or market. The excess of replacement cost over LIFO cost approximated \$10,906,000 at May 31, 1984 and \$7,159,000 at May 31, 1983.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost. Expenditures for maintenance and repairs are charged against income and renewals and betterments are capitalized. The cost and related accumulated depreciation of property, plant and equipment sold or otherwise disposed of are eliminated from the accounts and the resulting gains or losses are reflected in income. Depreciation for financial reporting purposes is determined on a straight-line basis for buildings and leasehold improvements and on the double declining balance basis for machinery and equipment.

Goodwill

Included in other assets at May 31, 1984 is \$5,439,000 of excess purchase cost over the fair value of net assets of an acquired business. This excess is being amortized over a period of eight years.

Income taxes

Deferred income taxes are recognized for timing differ-

ences between income for financial reporting purposes and taxable income. Investment tax credits are recognized in the year the related assets are placed in service. From September through December 1982, the company purchased future tax benefits for \$15,277,000 of which \$1,813,000 was not utilized as of May 31, 1984 and is included in deferred income taxes.

Net income per common share

Net income per common share is computed based on the weighted average number of common and common equivalent (stock option) shares outstanding for the periods retroactively adjusted for periods prior to January 1983 for a 2-for-1 stock split effective January 1983 (Note 8).

Note 2 – Inventories:

Inventories by major classification were as follows:

	May 31,	
	1984	1983
	(in thousands)	
Finished goods	\$272,064	\$272,844
Raw materials	3,503	6,046
Work-in-process	5,061	4,898
	<u>\$280,630</u>	<u>\$283,788</u>

Note 3 – Property, plant and equipment:

Property, plant and equipment includes the following:

	May 31,	
	1984	1983
	(in thousands)	
Land	\$ 2,511	\$ 1,872
Buildings	9,283	7,764
Machinery and equipment	56,622	47,662
Leasehold improvements	5,757	4,061
	<u>74,173</u>	<u>61,359</u>
Less accumulated depreciation	<u>31,293</u>	<u>21,628</u>
	<u>\$42,880</u>	<u>\$39,731</u>

Included with machinery and equipment are capital equipment leases of \$8,594,000 and \$8,368,000 at May 31, 1984 and 1983. Amortization of capital equipment leases aggregated \$5,912,000 and \$5,407,000 at May 31, 1984 and 1983, and is included with accumulated depreciation.

Note 4 – Short-term borrowings:

Notes payable to banks and interest-bearing accounts payable to NIAC are summarized below:

	Banks		NIAC
	Domestic Operations	Foreign Operations	
	(in thousands)		
At May 31, 1984:			
Total borrowings	\$ 83,000	\$60,532	\$45,722
Interest rate	11 4/5%	11 1/8%	11 1/2%
At May 31, 1983:			
Total borrowings	\$113,000	\$19,092	\$53,591
Interest rate	10 1/8%	10 1/4%	9 7/8%

The Company has a \$140 million unsecured domestic revolving credit agreement with a group of six commercial banks of which \$67 million is unused at May 31, 1984. The agreement provides for borrowings at the prime rate or at interest rates based upon spreads above the banks' marginal cost of funds. The agreement requires the payment of a commitment fee of 3/8% on the unused line of credit. The line of credit agreement is renegotiated annually in October and, among other things, requires the maintenance of specified financial ratios and limits the amount of expenditures for property, plant and equipment. Total domestic borrowings also include \$10 million at May 31, 1984 under unsecured short-term credit facilities with two of the banks.

The Company has outstanding unsecured loans at interest rates at various spreads above the banks' cost of funds for financing foreign operations.

Accounts payable to NIAC are generally due 115 days after shipment from the foreign port. Interest on such accounts payable accrues at a bank's prime rate as of the beginning of the month of the invoice date, less 1/2%.

Note 5 – Long-term debt:

Long-term debt includes the following:

	May 31,	
	1984	1983
	(in thousands)	
8.4%-14% capital equipment lease obligations, payable in instalments through 1988	\$ 3,762	\$ 5,197
10.77%-12% notes payable to the Republic of Ireland Industrial Development Authority and to two Ireland banks due in semiannual instalments through March 1988	1,954	2,637
13% Industrial Development Revenue Bond for the state of New Hampshire, secured by certain land and buildings, due in semiannual instalments through January 1992	2,415	2,580
12.5% note payable to the Malaysian Industrial Development Finance Berhad, secured by the property, plant and equipment located in Malaysia, due in semiannual instalments through November 1990	2,185	2,030
12.5% note payable to bank due in full on October 31, 1986	599	—
Other	468	406
	11,383	12,850
Less portion due within one year	2,560	2,347
	<u>\$ 8,823</u>	<u>\$10,503</u>

Amounts of long-term debt repayable during the five years following May 31, 1984, are summarized as follows:

	Long-Term Debt Excluding Capital Lease Obligations	Capital Lease Obligations		Total
		Minimum Lease Payments	Amount Representing Interest	
	(in thousands)			
1985	\$ 803	\$2,176	\$ (419)	\$ 2,560
1986	948	1,743	(195)	2,496
1987	1,646	769	(49)	2,366
1988	1,043	134	(12)	1,165
1989	761	25	(2)	784
Later years	<u>2,012</u>	—	—	<u>2,012</u>
	<u>\$7,213</u>	<u>\$4,847</u>	<u>\$ (677)</u>	<u>\$11,383</u>

Note 6 – Income taxes:

Income before income taxes and minority interest and the provision for income taxes are as follows:

	Year Ended May 31,		
	1984	1983	1982
	(in thousands)		
Income before income taxes and minority interest:			
United States	\$ 75,584	\$ 123,008	\$ 101,492
Foreign	2,837	(4,885)	(1,687)
	<u>\$ 78,421</u>	<u>\$ 118,123</u>	<u>\$ 99,805</u>
Provision for income taxes:			
Current:			
United States			
Federal	\$ 33,268	\$ 44,359	\$ 42,707
State	6,868	9,773	7,942
Foreign	429	879	785
	<u>40,565</u>	<u>55,011</u>	<u>51,434</u>
Deferred:			
United States			
Federal	(1,767)	6,442	(659)
State	(1,191)	(439)	(106)
Foreign	(40)	(92)	(80)
	<u>(2,998)</u>	<u>5,911</u>	<u>(845)</u>
	<u>\$ 37,567</u>	<u>\$ 60,922</u>	<u>\$ 50,589</u>

The provision for income taxes was reduced by investment tax credits of \$495,000, \$1,390,000 and \$845,000 for the years ended May 31, 1984, 1983 and 1982.

The sources and amounts of the provision for deferred income taxes were as follows:

	Year Ended May 31,		
	1984	1983	1982
	(in thousands)		
Inventory write-down to market	\$ (6,730)	\$ (1,898)	\$ (1,065)
Purchased tax benefits	4,903	9,270	—
Custom duties	—	569	35
Other, net	<u>(1,171)</u>	<u>(2,030)</u>	<u>185</u>
	<u>\$ (2,998)</u>	<u>\$ 5,911</u>	<u>\$ (845)</u>

The effective income tax rate differs from the U.S. statutory federal income tax rate as follows:

	Year Ended May 31,		
	1984	1983	1982
U.S. Federal statutory rate	46.0%	46.0%	46.0%
State income taxes, net of federal benefit	3.9	4.3	4.2
Foreign losses providing no tax benefits	—	2.4	1.3
Investment tax credit	(.5)	(1.2)	(.8)
Other, net	<u>(1.5)</u>	<u>.1</u>	<u>—</u>
	<u>47.9%</u>	<u>51.6%</u>	<u>50.7%</u>

Note 7 – Redeemable Preferred Stock:

NIAC is the sole owner of the Company's authorized redeemable Preferred Stock \$1 par value, which is redeemable at the option of NIAC at par value aggregating \$300,000. A cumulative dividend of \$.10 per share is payable annually on May 31 and no dividends may be declared or paid on the Common Stock of the Company unless dividends on the redeemable Preferred Stock have been declared and paid in full. There have been no changes in the redeemable Preferred Stock in the three years ended May 31, 1984. As the holder of the redeemable Preferred Stock, NIAC does not have general voting rights but does have the right to vote as a separate class on the sale of all or substantially all of the assets of the Company and its subsidiaries, on merger, consolidation, liquidation or dissolution of the Company or on the sale or assignment of the NIKE trademark for athletic footwear sold in the United States.

Note 8 – Common Stock:

The authorized number of shares of Class A Common Stock no par value and Class B Common Stock no par value are 20,000,000 and 50,000,000. In September 1983, shareholders approved an increase in the authorized number of shares of Class B Common Stock from 30,000,000 to 50,000,000. Each share of Class A Common Stock is convertible into one share of Class B Common Stock. Voting rights of Class B Common Stock are limited in certain circumstances with respect to the election of directors. Class A and Class B Common Stock were split 2-for-1 on January 5, 1983 with the split effected in the form of a 100% stock dividend. The dividend shares were issued at a stated value of \$.01 per share.

The Company's Employee Incentive Compensation Plan (Option Plan) provides for the issuance of a maximum of 1,680,000 shares of the Company's Common Stock. Options granted must not be at a price less than the fair market value of the Class B Common Stock at the date of grant and can be issued in either Class A or Class B Common Stock. The Option Plan is administered by a committee of the Board of Directors which has

the authority to determine optionees, the number of shares to be covered by each option, the dates upon which each option is exercisable, the method of payment and certain other terms. The Option Plan has a stock appreciation feature which gives the committee authority to allow a specified holder to surrender his option in exchange for (1) the cash value of the difference between the option price and the fair market value of the common stock subject to option at the date of surrender, (2) the number of shares having such cash value or (3) a combination of the above. The Option Plan expires in 1990.

During the year ended May 31, 1984, options for 90,000 shares of Class B Common Stock were granted under the Option Plan at a price of \$16.50 per share, no options were exercised and options for 1,000 shares were forfeited. At May 31, 1984, options for 99,910 shares were exercisable aggregating \$1,263,760. During the year ended May 31, 1983, options for 95,000 shares of Class B Common Stock were granted at prices from \$15.6875 to \$19.75, options for 9,090 shares were exercised at \$11.00 per share and options for 3,000 shares were forfeited. At May 31, 1983, options for 44,910 shares were exercisable aggregating \$473,000.

Compensation agreements with three non-employee directors provide these directors with the right to purchase up to 720,000 shares of the Company's Class A Common Stock at \$.417 per share. The estimated fair market value of these shares at the date granted was \$6.25 per share aggregating \$4,500,000. The three directors exercised their right to purchase 72,000 of these shares as of October 1980. The rights to purchase 288,000 of these shares will vest in October 1984. The rights to purchase an additional 72,000 of these shares will vest in October of each of the years 1985 through 1989 as long as the directors serve in an advisory capacity during that period and meet other specified conditions. All purchase rights must be exercised by October 1994. The Company is recognizing compensation expense of \$4,200,000 over the nine year vesting period through October 1989.

In September 1983, the Company granted options to purchase 10,000 shares of the Company's Class B Common Stock to two directors. The exercise price is \$16.25 per share, which was the market value at the date of grant, and the options expire in September 1993. The options vest at the rate of 20 percent per year over a five year period commencing October 1, 1984.

At May 31, 1984, a portion of the remaining authorized but unissued shares of Class B Common Stock are reserved for the Company's Employee Incentive Compensation Plan and the conversion of Class A Common Stock outstanding and options granted for Class A Common Stock.

Note 9 – Profit sharing plan:

The Company has a profit sharing plan available to substantially all employees. The terms of the plan call for annual contributions by the Company as determined by the Board of Directors. Contributions of \$1,356,000, \$2,000,000, and \$1,750,000 to the plan are included in other expense in the consolidated financial statements for the years ended May 31, 1984, 1983 and 1982.

Note 10 – Commitments and contingencies:

The Company leases space for its offices, warehouses and retail stores under leases expiring from one to fifteen years after May 31, 1984. Rent expense aggregated \$9,830,000, \$9,278,000, and \$6,009,000 for the years ended May 31, 1984, 1983 and 1982. The following is a schedule of minimum future rentals on noncancelable operating leases as of May 31, 1984 (in thousands).

<u>Years Ending</u> <u>May 31,</u>	
1985	\$ 9,169
1986	7,091
1987	5,924
1988	5,653
1989	5,106
Later years	<u>30,433</u>
Total minimum future rentals	<u>\$63,376</u>

In June 1983, the Company was served in a lawsuit filed by an individual against the Company and certain present and past employees of the Company seeking an unspecified amount, stated by the Complaint to be in excess of \$10 million in general damages and \$25 million in punitive damages for alleged breaches of contract and tortious conduct surrounding the Company's termination of a business relationship with the individual. The litigation is at a very preliminary stage; however, the Company believes the claims are without merit and will not result in a material loss to the Company.

Note 11 – Operations by geographic areas:

Information about the Company's operations in the United States and foreign areas is presented below. Intra-company revenues result from sales of footwear (or components) and apparel

between the United States and foreign areas at internally determined prices based on cost. Operations in foreign areas prior to 1983 were not significant.

	Year Ended May 31, 1984			Year Ended May 31, 1983		
	(in thousands)			(in thousands)		
	United States	Foreign	Consolidated	United States	Foreign	Consolidated
Revenues from un-related entities	\$761,414	\$158,392	\$919,806	\$773,947	\$ 93,265	\$867,212
Intra-company revenues	<u>13,332</u>	<u>2,405</u>		<u>9,315</u>	<u>465</u>	
	<u>\$774,746</u>	<u>\$160,797</u>		<u>\$783,262</u>	<u>\$ 93,730</u>	
Operating income	<u>\$ 90,544</u>	<u>\$ 12,046</u>	<u>\$102,590</u>	<u>\$149,886</u>	<u>\$ 644</u>	<u>\$150,530</u>
Corporate and other expense			(4,572)			(6,810)
Interest			(19,597)			(25,646)
Intra-company elimination			<u>—</u>			<u>49</u>
			<u>(24,169)</u>			<u>(32,407)</u>
Income before provision for income taxes and minority interest			<u>\$ 78,421</u>			<u>\$118,123</u>
	May 31, 1984			May 31, 1983		
	(in thousands)			(in thousands)		
Identifiable assets	<u>\$416,928</u>	<u>\$134,467</u>	<u>\$551,395</u>	<u>\$423,561</u>	<u>\$ 72,640</u>	<u>\$496,201</u>
Corporate item			8,320			13,038
Intra-company elimination			<u>(556)</u>			<u>(1,211)</u>
			<u>7,764</u>			<u>11,827</u>
Total assets			<u>\$559,159</u>			<u>\$508,028</u>

Supplementary Information to Disclose the Effects of Changing Prices (unaudited)

In accordance with the requirements of Financial Accounting Standard (FAS) No. 33, "Financial Reporting and Changing Prices," the Company presents the following information. The objective of the FAS is to measure the estimated effects of inflation. Historical dollar amounts as reported in the primary financial statements have been adjusted to show the effects of (1) general inflation (constant dollar), and (2) changes in specific

prices (current costs). Because the Company values its inventories at the lower of cost, last-in first-out (LIFO), or market, which results in recognition of current cost of goods in cost of sales and since total property, plant and equipment are a relatively minor portion of total assets, the effects of inflation on the Company as measured under the standards presented by the FAS No. 33 are not significant. Also, because of the experimental nature of the

CONSOLIDATED STATEMENT OF OPERATIONS ADJUSTED FOR THE EFFECTS OF CHANGING PRICES (in thousands)

	Year Ended May 31, 1984		
	As Reported	Adjusted for Constant Dollars	Current Cost
Revenues	\$919,806	\$919,806	\$919,806
Cost of sales*	656,433	656,433	656,433
Depreciation	10,632	11,451	11,323
Selling and administrative*	154,898	154,898	154,898
Interest	19,597	19,597	19,597
Other (income)	(175)	(175)	(175)
	<u>841,385</u>	<u>842,204</u>	<u>842,076</u>
Income before provision for income taxes and minority interest	78,421	77,602	77,730
Provision for income taxes	<u>37,567</u>	<u>37,567</u>	<u>37,567</u>
Income before minority interest	40,854	40,035	40,163
Minority interest	<u>164</u>	<u>164</u>	<u>164</u>
Net income	<u>\$ 40,690</u>	<u>\$ 39,871</u>	<u>\$ 39,999</u>
Unrealized gain from decline in purchasing power of net amounts owed		<u>\$ 4,884</u>	<u>\$ 4,884</u>

The increase in inventories and property, plant and equipment resulting from general inflation of \$17,114 was offset by a decrease in the specific prices of such assets of \$13,824. At May 31, 1984, the current cost of inventories was \$287,278 and the current cost of property, plant and equipment, net of accumulated depreciation and amortization was \$44,981. Corresponding historical cost amounts were \$280,630 for inventories and \$42,880 for property, plant and equipment.

*Exclusive of depreciation.

required disclosures, management has not concluded that this information accurately represents the true impact inflation has on the Company.

The constant dollar information was derived by applying the Consumer Price Index in current year average dollars to the related historical costs. The current cost information was derived by applying published government and private indexes to the

related historical costs in current year average dollars. The depreciation and amortization amounts under both the constant dollar and current cost methods were computed by applying the appropriate indexes against the historical amounts. The provision for income taxes under both methods has not been changed because the FAS No. 33 adjustments are not tax deductible.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR THE EFFECTS OF CHANGING PRICES

	Year Ended May 31,				
	1984	1983	1982	1981	1980
	<i>(in thousands, except per share and CPI data)</i>				
Revenues:					
As reported	\$919,806	\$867,212	\$693,582	\$457,742	\$269,775
Constant dollars	919,806	899,814	751,236	539,691	356,103
Constant dollar information:					
Net income	39,871	58,375	52,466		
Net income per common share	1.05	1.57	1.47**		
Net assets at year-end	322,224	286,770	164,087		
Current cost information:					
Net income	39,999	58,413	52,534		
Net income per common share	1.05	1.57	1.47**		
Net assets at year-end	283,585	259,607	148,476		
Decrease in current cost of inventories and property, plant and equipment, exclusive of inflation	13,824	6,696	12,097		
Other information:					
Purchasing power gain on net monetary items	4,884	2,356	5,405		
Market price per common share at year-end as reported	9 3/4	19 3/8	14 7/8**	11 3/8**	*
Average consumer price index	303.6	292.6	280.3	257.5	230.0
Cash dividends declared per common share as reported	.20				

*Prior to December 2, 1980, the Company was privately owned and no market prices were available.

**Adjusted for 2-for-1 stock split distributed in January, 1983.

DIRECTORS

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*Deputy Chairman of the Board of Directors
 and Senior Vice President*

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 Palo Alto, California*

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*Partner - Donahue & Donahue, Attorneys
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Executive Vice President

Douglas G. Houser(2)
*Assistant Secretary, NIKE, Inc.
 Partner - Bullivant, Wright, Leeds & Wilson,
 Pendergrass & Hoffman, Attorneys
 Portland, Oregon*

John E. Jaqua
*Secretary, NIKE, Inc.
 Partner - Jaqua, Wheatley, Gallagher &
 Holland, Attorneys
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 and Chief Executive Officer*

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*Chairman, Thomas O. Paine Associates
 Los Angeles, California*

Charles W. Robinson(2)
*Chairman, Energy Transition Corporation
 Santa Fe, N.M.*

Robert L. Woodell(1)
President and Chief Operating Officer

(1) Member - Executive Committee

(2) Member - Audit Committee and
 Compensation and Stock Option Committee

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President and Chief Operating Officer

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*Deputy Chairman of the Board of Directors
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Executive Vice President

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Vice President

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Vice President

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Vice President - Finance

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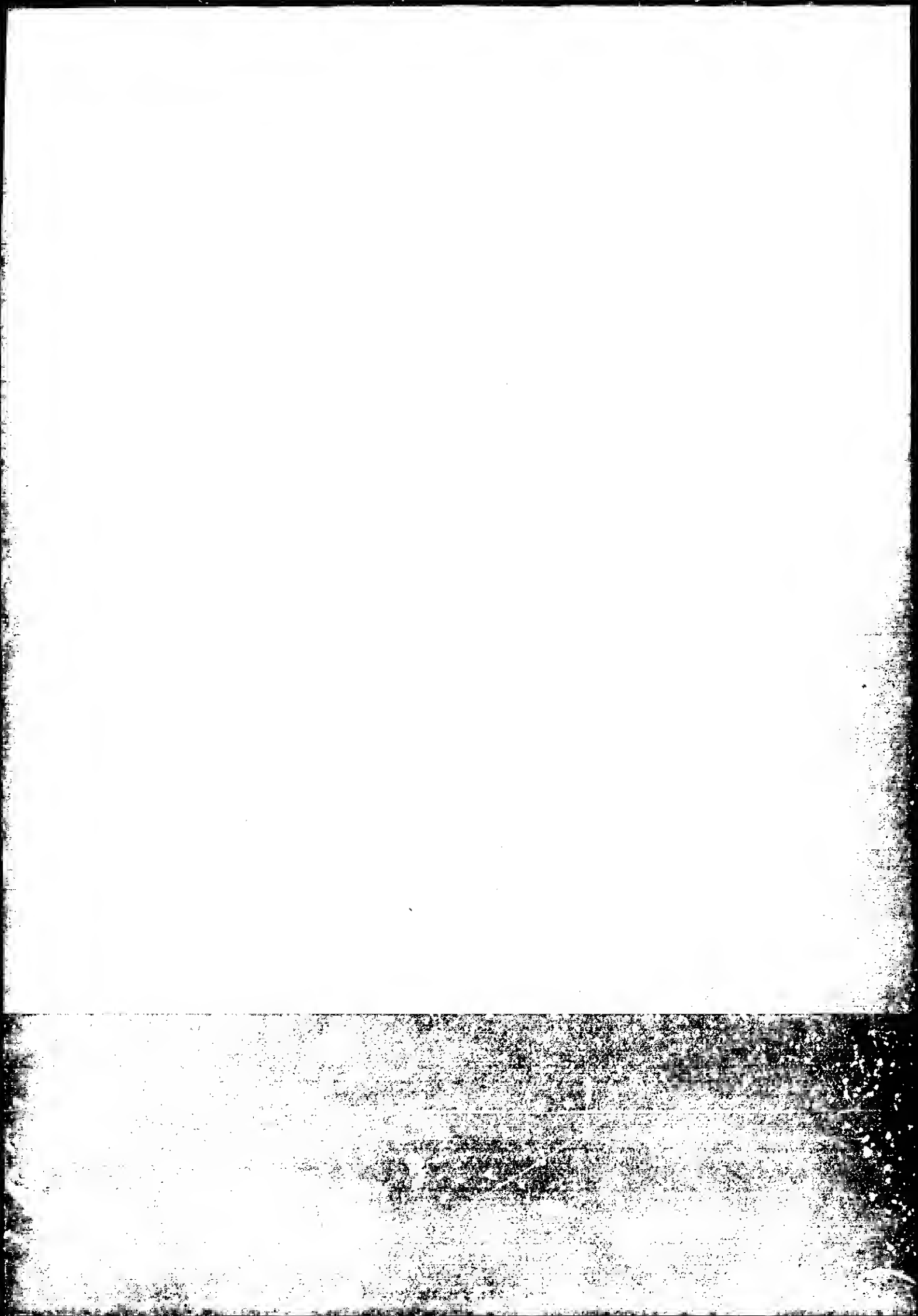
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A. Thomas Niebergall
Assistant Secretary





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